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# THE TIMES

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## Lamont taxes the future to pay debts of the past



Hands on the future: Mr Lamont and the traditional scuffed red despatch case that held the Budget secrets not only for 1993/94 but also for many years to come

By PHILIP WEBSTER  
AND ANATOLE KALETSKY

NORMAN Lamont yesterday presented Britain with the prospect of three years of sharply rising taxes as he delivered a make-or-break Budget that startled MPs by its boldness and toughness.

Within minutes of sitting down after his 111-minute speech, he had received a strong endorsement from John Major. He appeared to have strengthened his position, but doubts remained over his long-term future.

From next year, value-added tax is to be imposed for the first time on gas and electricity bills, mortgage interest relief is to be cut from 25 per cent to 20 per cent and national insurance contributions are to rise by 1 percentage point as the government acts to cut the soaring budget deficit, expected to reach £50 billion in the coming year.

The Chancellor described the Budget as having two main aims: to support the recovery and to squeeze public borrowing, and he tackled his twin objectives by announcing only modest tax increases for this year, holding back his most painful medicine for the following two years. He was

**The Chancellor declared the biggest tax increases for more than a decade, but deferred the pain for a year to spur recovery. His future remains in doubt.**

regarded as having little alternative if he was to satisfy the markets that he was determined to keep a tight grip on inflation and hold down interest rates.

In an unprecedented and audacious move, Mr Lamont effectively announced three budgets in one, committing himself or his successor to swinging "risks" from next year, by which time he hopes the recovery will be well under way - he believes growth may rise to 3 per cent in the first half of 1994.

John Major took the unusual step of issuing a statement saying: "It's the right Budget at the right time from the right Chancellor." But it was stressed last night by senior government sources that the remarks were not meant to prejudice any cabinet reshuffle in the summer.

Mr Lamont said it was a Budget for sustained recovery and jobs "right through the decade." But John Smith accused the government of a "shameful betrayal" of the public at the general election in April and Mr Major of deceit over the decision to impose VAT on fuel and power.

Mr Lamont was given a warm reception when he appeared before the Tory backbench finance committee last night, but his package received a generally muted reaction from Conservative MPs. While some praised his courage, others found the explicit nature of his pledges to raise taxes, in contravention of

much of what the Conservative party had come to stand for in the past 14 years, difficult to stomach. Several MPs said Mr Lamont had shown considerable nerve in effectively tying the hands of his successor.

Mr Lamont's most controversial move was to announce that domestic fuel would be liable to VAT from April next year. It will be levied at 8 per cent in 1994, and soar to 17.5 per cent the following year. The imposition provoked widespread condemnation, but Conservative officials justified the move on the grounds that conditions had changed since the election.

Mr Lamont eased the suffering by announcing two further steps towards the achievement of a blanket 20p standard rate of income tax, help for the long-term unemployed and small businesses, and action to boost the construction industry. The 20p band introduced last year is to be increased by £500 to £2,500 this year, and to £3,000 next. He also halved the number of people liable to pay stamp duty on house sales by doubling the threshold to £60,000.

Gillian Shephard, the employment secretary, secured a £230 million package from Mr Lamont for vocational courses for 30,000 long-term unemployed and a new action programme to allow 60,000 to do part-time work in local communities. The building industry will be boosted by Mr Lamont's confirmation that

the Channel tunnel to St Pancras and Heathrow to central London rail links are to go ahead.

Mr Lamont has clearly gambled that the certainty of increases in the tax burden over the next three years will not stifle the recovery at birth. But he was regarded by fellow ministers as having little alternative. Had he not announced his plans for curbing the deficit in future years, there would have been continuing speculation that could have severely damaged the prospects of industry. The positive



reaction to President Clinton's plans to control the American budget deficit apparently encouraged Mr Lamont and Mr Major to go further than they had at one time planned.

He announced that the

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## Cries of anguish greet 8% VAT on domestic fuel

By NICHOLAS WOOD AND JAMIE DETTMER

THE Chancellor was under fire last night from Labour and from some of his own supporters over his swinging new tax on domestic gas and electricity bills.

His announcement that VAT would be extended to domestic fuel and power from April next year so Britain could meet its international obligations under the Rio climate change convention was greeted with cries of "swindler" from the Opposition benches, and a sharp intake of breath on the Tory side.

Conservative MPs in particular were shocked that Mr Lamont planned to impose VAT at 8 per cent next year and then go to 17.5 per cent in 1995/96, perhaps the run-up to the next election. The measure will eventually raise £3 billion a year.

They voiced their anxieties at the Chancellor's post-Budget meeting with the backbench Tory finance committee. At the meeting, behind closed doors at Westminster, Mr Lamont reinforced his message that the climate change convention was an important milestone in efforts to combat global warming and that the tax increases were needed to enable Britain to play its part.

But Tory MPs were worried about his timing, saying it could provoke an electoral backlash as the government prepared to go to the country.

John Smith, the Labour leader, accused the Chancellor of betraying the public and letting down his own supporters. The addition of VAT to fuel bills, he said, would "push many families just on the edge" into despair. Millions of people who were poor but did not qualify for income support would be "hit savagely by this VAT on the basic cost of living".

The taxing of fuel was part of an overall betrayal of general election pledges. Tory promises that taxation and national insurance would not increase had been shown to be false.

Pensioners' organisations and others representing the poor denounced the VAT plans and warned of the hardship the elderly would be forced to endure next winter. They termed it a "budget of despair".

Sally Greengross, director of Age Concern, said she was very disappointed, and the Child Poverty Action Group accused the Chancellor of tilting the tax burden further towards the poor.

The Low Pay Unit estimated that VAT on fuel, with the increases in national insurance contributions and tax on drink, cigarettes and petrol, would add £5 a week to the costs of a low paid family. Chris Pond, the director, said: "They have no more notches on their belts to tighten".

## High-speed rail links get green light

By TIM JONES  
AND HARVEY ELLIOTT

TWO of the largest transport projects the country has undertaken since the war were given the green light yesterday by Norman Lamont. After years of delay, the £2.5 billion Channel tunnel high-speed link to London and the £300 million rail link between Heathrow and the capital will be completed in this decade.

The future of the controversial £1.7 billion CrossRail link through London appears to be in doubt after the

ed further examination and private sector capital. His statement appears to end the dream of Sir Bob Reid, the BR chairman, who had hoped to see King's Cross turned into a £1.4 billion super-terminal for the Channel tunnel link. Instead the Treasury, which had lobbied for the cheaper St Pancras option, has won the day.

British Rail declined to comment, but Dr John Pridemore, who heads Union Railways, a BR subsidiary which will build the link, said he was delighted. Taking the tunnel line into St Pancras will save an estimated

total cost to about £2.5 billion. Originally the project was costed at £4.5 billion.

Mr Lamont said that John MacGregor, transport secretary, will invite the private sector to come forward with bids so that the project can be developed as a joint venture as soon as possible. Industry sources last night said they would be looking initially for the private sector to bear 10-20 per cent of the cost.

The decision to build the Heathrow-Paddington express follows months of bitter wrangling over its financing

owners, BAA. Mr MacGregor described the announcement as "excellent news for Londoners, international travellers and for jobs".

The express will run from Paddington to Hayes in Middlesex on 11 miles of existing railway track, and then plunge into a tunnel for the four miles to Heathrow. Over six million passengers a year are expected to use it. The trains will run every 15 minutes and take 16 minutes to reach Heathrow. The project will cost just over £300 million, of which £250 million will be raised directly by BAA in the form of

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## Budget reaction: Labour leader condemns impact of VAT on heating Smith attacks 'cynical Tory betrayal'

By ARTHUR LEATHLEY, POLITICAL STAFF

JOHN Smith launched into his first Budget response speech with a savage attack on the government for "cynically and ruthlessly" betraying the public at the general election.

He accused the Conservatives of breaking pre-election promises and accused John Major of deceit over his pledges on value-added tax.

The addition of VAT to fuel bills drew the angriest attack from the Labour leader who said the government had let down its own supporters. Reminding MPs of past Tory claims that VAT was levied on goods on which people had a choice, he asked: "Are they going to tell us that people can choose between gas and electricity?"

Concentrating his criticism on Mr Major, he quoted Mr Major as having said: "I have made the pledge in the past. I have made it clear. We have no plans to extend the range of VAT."

To cries of "Cheats" from Labour MPs, he turned to Mr Major and said: "I do not know how you can sit there as prime minister of a government that is capable of deceit on such a scale."

Charging VAT on fuel, Mr Smith said, would "push many families just on the edge" into despair. Millions of people who were poor but did not qualify for income support would be "hit savagely by this VAT on the basic cost of living".

The taxing of fuel was part of an overall betrayal of general election pledges, he said. Tory promises that taxation and national insurance would not increase had been shown to be false. "Those who listened to this budget will have been shocked beyond belief by the cynicism of the Conservatives, who went into the last election committed to low taxation."

The public was "not so foolish" as to believe that extension of the 20 per cent taxation band would compensate them for the 1 per cent rise in national insurance, he said.

The raising of the 20p band would provide only an extra 25p a week in the first place, rising to just £1 in later years. "How is that going to help in paying their bills?" Pointing to the national insurance rises, he said the tax increases "must

be one of the biggest hikes ever."

The Opposition leader added: "I am sure the conclusion that the public will have of this Budget is simple and it is clear: the Conservative party is a party without honour and a party without shame."

The lack of action over unemployment drew further condemnation from Mr Smith, who said of ministers: "They don't seem to understand how desperate and debilitating it is for our people to suffer over three million people unemployed. There is hardly a street in this country's towns and villages where the tentacles of corrosive unemployment have not reached."

Government schemes were designed to help only one third of the 300,000 people who had lost their jobs since the government was elected. The measures were wholly inadequate. "These measures are wholly inadequate to deal with the scale of Britain's job crisis," he said.

Condemning the lack of action over training, he demanded: "Why does misery have to be so desperate before they even take minor measures?"

The government's reaction to unemployment had been callous and complacent and merited an apology, as did last year's pre-election Budget in which Mr Lamont's forecasts had undermined his credibility.

Predictions about economic growth, increases in manufacturing output and the level of public sector borrowing had proved to be "absurd".

"Had the public known what would be the outcome of your Budget last year in terms of continually rising unemployment, deepening recession, let alone the betrayal of election pledges, how many of them would have given the Tory party the benefit of the doubt on 9 April last year?"

He insisted that there would be economic recovery only if there were investment in infrastructure. The government had also "blatantly broken promises" on public services, which it had said would be maintained but were now the subject of Treasury review.

The government accused anyone who criticised it, including its own civil servants, of talking the country down. The people were more con-



On the attack: John Smith, flanked by Harriet Harman and Treasury spokesman Gordon Brown

cerned about those "pulling the country down".

To loud cheers from his backbenchers, the Labour leader concluded: "The Budget is a shameful Budget from a cynical party. I hope the Conservative party lives to regret the Budget they announced today."

Later, Opposition MPs outside the Commons joined the criticism. Giles Radice, a senior Labour MP on the Commons Treasury committee, said: "The gamble Mr Lamont has taken depends on his own personal authority. As I do not believe he has that credibility, I do not think this gamble will come off."

He welcomed the Chancellor's decision not to raise the overall level of taxation but added that more should have been done to help the

unemployed. Diane Abbott, the Labour MP for Hackney North and Stoke Newington, said: "The worst thing for my constituents is the VAT on domestic fuel. That is a killer."

People living just above benefit level would suffer most, she said. She also dismissed measures to help the unemployed as "pathetic".

Alex Salmond, the Scottish Nationalist MP, said that heating bills in Scotland were 30 per cent higher than in London.

"This is a swinging increase in heating costs. He is not squeezing the pensioners, he is threatening to freeze the pensioners," he said.

He added that Mr Lamont was promising to tax next year and the year after for the government's spending last year on the general election.

## Ghost of future taxation dampens backbench spirits

By NICHOLAS WOOD, POLITICAL CORRESPONDENT

THE spectre of a £17 billion rise in taxes in the mid-term of the Parliament did little to lift the spirits of Conservative MPs last night.

Many of them were prepared to praise the Chancellor's courage and his raft of measures aimed at helping small firms and the jobless, but the euphoria that has attended most recent Tory budgets was absent.

Although Norman Lamont's supporters on the back benches were insisting that he had strengthened his hold on the Treasury, many Tories were awaiting the reaction of the markets before they passed judgment. The Chancellor appeared to be in danger of falling between two stools: MPs worried about the Tories jeopardising their hard-won reputation as the party of low taxation and those who wanted more action.

Leading Tories were also unsettled by the way Mr Lamont had so clearly sought to tie the hands of any successor by announcing so many tax increases to take effect from April next year. Sir Terence Higgins, the former chairman of the all-party Treasury committee, said Mr Lamont had put the economy on "auto-pilot" by unveiling tax plans so far ahead.

Serious doubts were also being expressed about the plans to extend VAT to domestic fuel and power in two steps, the second so near the likely date of the next election.

However, the Chancellor was winning plaudits from the right of the party for the way he sought to send the clearest possible message to the markets that the government was

serious about reining in the £50 billion public sector deficit.

John Townend, the chairman of the backbench Tory finance committee, said he was pleased that the Chancellor had taken care "not to snuff out the recovery" by delaying his tax increases for 12 months.

After Mr Lamont had appeared before the committee last night, Mr Townend said he had been well received, although his moves towards green taxes had been questioned. Mr Townend added that the government had been forced to take "painful action" to fulfill its obligations under the Rio treaty.

Kenneth Baker, the former home secretary, was another to back Mr Lamont. "He has struck the correct balance between stimulating the economy and closing the deficit. It's a confident and wide-ranging package."

Mr Biffen, a former Treasury chief secretary, expressed anxiety at the "uncomfortably large" deficit forecast of £50 billion for next year and rejected the theory that it would gradually wind down as economic recovery got under way. He confessed to being a "shameless taxer Tory".

But Sir Rhodes Boyson and David Howell, former ministers, and Nijr Deva, MP for Brentford and Isleworth, gave strong backing to Mr Lamont. Sir Rhodes applauded the measures to help the long-term jobless and the further backing for infrastructure projects designed to boost the construction industry and employment.

## Lamont taxes future

Continued from page 1  
public sector borrowing requirement would be £35 billion this year and £50 billion next, a level he described as unacceptable. His proposals were designed to tackle that by "building a wedge of steadily rising revenue", raising government income by £5.5 billion in 1994-95 and £10.5 billion in 1995-96, the equivalent of 1.5 per cent of GDP.

The Treasury's economic forecasts make clear that tax increases were necessary to plug the gap in government finances caused by an unpre-

cedented collapse in revenues, which is expected to continue until the end of the parliament.

Even after the big tax increase announced yesterday, the Treasury still expects the borrowing requirement to be £34 billion by 1996-7 - which would require a further £11 billion of tax rises if Britain were to stay within the deficit ceiling laid out in the Maastricht treaty.

Mr Lamont chose, however, to produce a "broadly neutral" Budget for the coming year to allow help for business and the recovery to take hold - although income tax allowances are being frozen.

Most drink duties are to go up by 5 per cent, the equivalent of 1.5p on a pint of beer and 5.5p on a bottle of wine, but there will be no rise in spirit duty to help the Scotch whisky industry.

Cigarettes will go up by 10p for a packet of 20; petrol will rise by 1.5p a gallon for four-star and 1.2p for unleaded. Road fuel taxes will rise in future by 3 per cent in real terms as part of the government's measures to tackle

## Army bands to be cut from 63 to 29

The number of army bands is to be cut from 63 to 29 by April 1995 as part of the government's Options for Change defence programme. Archie Hamilton, armed forces minister, announced yesterday. Under the restructuring, the 2,000 bandmen will be reduced to 1,100.

The latest cuts are intended to reflect the changes in the army under which the number of soldiers is being reduced from 156,000 to 119,000 by 1995. The seven bands of the Household Division, which have 315 bandmen, and the one Royal Artillery band of 49 bandmen, all of which are used for state occasions, will be unaffected by the cuts. The bands that survive will be larger, with either 25 or 40 musicians, compared to some which have only 20 at present. In a written Commons answer, Mr Hamilton said these small bands were "not musically viable".

Bandmen are fully trained soldiers and also have extra skills as combat medical technicians. Musicians who lose their membership of bands will continue as soldiers. A central music authority for the army, headed by an inspector of army bands, is also to be set up to recruit, train and appoint bandmen.

## Exmoor arsonist sought

Hundreds of acres of moorland in Somerset have been destroyed by fires believed to have been started deliberately. It is understood that there were six separate fires, near Porlock, Withypool, County Glastonbury and Minehead. Police yesterday were trying to trace a silver Metro car seen in the area. Much of the land, around Dunster Hill, Exmoor, is owned by the National Trust. Gorse and heather are unseasonably parched after weeks of dry weather. The fire brigade said: "The countryside is so dry at the moment that, with a bit of breeze, the flames can spread faster than a man can run." There are fears that the fires will have a serious effect on the breeding of wildlife in the area.

## Setback for prosecutors

An attempt by Crown prosecutors to break the Bar's monopoly in crown courts suffered a setback yesterday. The Lord Chancellor, Lord Mackay of Clashfern, and four senior judges adjourned a decision on whether to strike out a Bar rule stopping barristers employed by the government or the Crown Prosecution Service from taking cases in the crown court. Instead, the judges said they would prefer to decide about advocacy rights for employed barristers (those not in private practice) when they look at the position of employed solicitors. The Law Society's application for solicitors - employed and in private practice - to be given wider advocacy rights is expected to be considered by judges soon.

## Ford hit by strike

Ford white-collar workers went on strike yesterday over company plans to press ahead with compulsory redundancies. Ford has not yet removed the threat of compulsory redundancies for white-collar staff, as it did last week for blue-collar workers. Production at Dagenham and Southampton is threatened by the strike by 400 foremen. Meanwhile, leaders of the Fire Brigades Union will tell the home secretary today the union is ready to ballot members because of the 1.5 per cent public-sector pay limit.

## Universities given £1m

Oxford and Cambridge universities have each received £1 million from the estate of a banker who died 35 years ago. René Hugo Thalmann, an Argentine businessman, instructed that after the deaths of his brother and two friends the remainder of his estate should be split between the two English universities and the University of Buenos Aires. An Oxford University spokeswoman said: "The will stipulated that the money should be used for scholarships but we are free to decide how we do this."

## Hiker, 62, feared dead

A British woman is believed dead after going missing two weeks ago while hiking in Argentina. A search by police, the army and helicopters has failed to find Margaret Cox, 62, right, of Poole, Dorset. She became separated from her group of 12 hikers in the El Chalten mountains, near Calafate, when she stopped for a rest. When they returned 30 minutes later she had disappeared.



## Blast from the past

A photograph taken in 1952 has prompted talks with India to bring a battle-winning tank back to Britain. The tank is believed to have been vital in defeating the Japanese at Kohimah, northern India, in 1944. The tank was forgotten until recently when a Kohimah veteran living in the area sent to Britain the photograph of the tank, an American-built Grant, overgrown but still intact. The photo was passed to the Kohimah museum at Imphal barracks in York and talks began on its return to a place of honour at the museum.

## Death car boys in court

Two boys aged 15 and 16 appeared in court yesterday following the death on Monday of Sally Ann Cattell, 14, in a stolen car. They faced charges that include aggravated vehicle taking. Magistrates at Sutton Coldfield, West Midlands, remanded the 16-year-old in custody until March 24. The other is due to appear before a youth court today.

## Final whistle for Roy

The final whistle will blow today on the career of the legendary footballer Roy Race in the comic Roy of the Rovers. The centre forward, first seen in 1954, has been overtaken by slipping sales and the high cost of publishing comics. In today's final issue, the player-manager of Melchester Rovers is trapped in a blazing helicopter.

## Bombmaker get 20 years

An alleged IRA man caught making a bomb was jailed for 20 years yesterday. Sean Connolly, 31, was arrested on January 10 last year after explosives, a timer power unit and detonators were found in his kitchen in west Belfast, Belfast Crown Court was told.

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'Ten-nine. Ten-nine. We have been shot'

## PC breaks down as he tells of gunman's combat-style attack

By MICHAEL HORSNELL

A POLICEMAN broke down in tears in the witness box at the Old Bailey yesterday as he described the seconds in which Special Constable Glenn Goodman was shot dead by an Irish gunman who then turned and fired four bullets into him.

The murder trial of Paul Magee, 42, and Michael O'Brien, 28, both from Belfast, was adjourned by Mr Justice Laws to allow PC Alexander Kelly to compose himself.

The officer then looked directly at Mr Magee: "He shot PC Goodman and myself. I will never forget his face. We made eye contact just before he started to shoot me."

The jury has been told that the shooting started at dawn on June 7 last year after he and PC Goodman, 37, made a routine check of the defendant's car on a slip road of the A64 near Tadcaster, North Yorkshire.

PC Kelly, 33, told the court that while he waited alone in the driver's seat of the police car with a radio hand-set to his ear he saw Mr Magee, dressed in a pin-striped suit, get out of the passenger seat of the Ford Sierra and approach PC Goodman in the road.

"As I was waiting, the passenger got out and walked to the side of the road. The

next thing I saw he was standing holding a handgun with both hands in a combat position. He was facing to my right, pointing the gun straight at PC Goodman. He was only a matter of feet away. I didn't hear anything but I saw two flashes from the barrel of the gun."

"He then turned to me and I saw two holes appear in the windscreen in front of me and felt a pain in my chest. I was still holding the handgun. I slumped or fell across to the passenger seat. I looked up. I don't know why, to see Magee standing at the driver's door pointing the gun at me again. He shot me again on the right hand side of my body. The shooting lasted a matter of

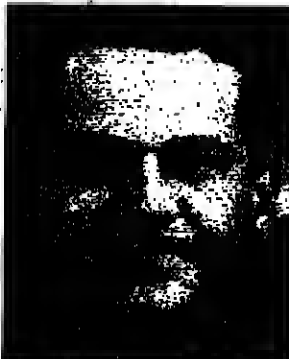
seconds. There was no gap between the shots."

"I waited for things to go quiet and then I yelled the emergency message 'ten-nine, ten-nine, ten-nine'. Then I thought I hadn't told them who I was. I shouted, 'Echo Tango Two, Ten-nine. We have been shot.'"

PC Kelly said he had difficulty breathing but had remained motionless because he did not want to show any sign of life.

The court heard a recording of PC Kelly screaming in pain and calling for help over his radio. A policewoman who arrived at the scene of the shooting was heard crying: "Get me an ambulance quickly. I've got one in the carriage-way and one in the vehicle. One of them is badly shot."

Peter Feinberg QC, for Mr Magee, declined to cross-examine PC Kelly. Michael Mansfield QC, for Mr O'Brien, told the court it was conceded that Mr O'Brien was the driver of the Sierra. Both men deny the murder of PC Goodman, the attempted murders of PC Kelly, PC Mark Whitehouse and PC Susan Larkin, and possessing a firearm. PC Whitehouse and PC Larkin came under attack after the defendants had allegedly fled. The trial continues.



Kelly: tried to show no sign of life after attack



Strong backing: Mr Birt, arriving at Broadcasting House yesterday, said he was "enormously heartened" by his colleagues' action

## Birt thanks colleagues for support over tax crisis

By ALEXANDRA PLEAN  
MEDIA CORRESPONDENT

JOHN Birt, facing calls for his resignation as director-general of the BBC for avoiding tax on his salary, said yesterday he was "enormously heartened" by support from colleagues.

Arriving for work at Broadcasting House he posed, smiling, for photographers and said: "All I want to say is that I have been enormously heart-

ened by the strong support I have had in recent days from close colleagues and from many others inside and outside the BBC. There is an awful lot of work to do at the BBC. I have a very busy day ahead of me."

As more public figures, including Lord Annan and the author Fay Weldon, wrote to the editor of The Times to express their support for Mr Birt, the corporation's governors met privately last night to find a way out of the crisis ahead of a formal board

meeting tomorrow. Chief among their concerns was continuing criticism from within the BBC that Marmaduke Hussey, the chairman, had failed to consult the rest of the governors on important decisions — such as Mr Birt's tax arrangements — and calls for him to step down.

Neither Mr Hussey nor Mr Birt were present at a Royal Television Society dinner in London last night to honour Sir Michael Checkland, the former director-general. Both had

sent their apologies long before the crisis over Mr Birt's income tax blew up.

The BBC is holding its own farewell dinner for Sir Michael tonight.

Meanwhile, Michael Grade, managing director of Channel 4, criticised the six senior BBC journalists who wrote to The Times on Monday expressing their support, accusing them of "compromising their impartial reporting" in a matter of public controversy.

## Experts plan whale rescue

GILLIAN BOWDITCH  
SCOTLAND CORRESPONDENT

MARINE biologists and naturalists met in Orkney yesterday to try to draw up a plan for freeing the six sperm whales that have become trapped in Scapa Flow. They considered a rescue mission if one or more of the whales becomes beached.

The whales, the biggest of which is about 45ft long and weighs about 40 tonnes, have been trapped in Scapa Flow since February 22. It is only the fourth time this century that sperm whales have been sighted off Orkney.

Marine biologists fear that the whales have become trapped and confused in the 50-square mile natural harbour and are running out of food. They eat about a tonne of fish each day.

The whales normally use sonar "clicks" to find food. According to Dr Tony Martin, the marine biologist from the Sea Mammal Research Unit in Cambridge who attended yesterday's meeting, the whales will be receiving confusing signals from the surrounding land and sediment in the shallow water of Scapa Flow.

"They are going around with effectively no sight, getting information about their environment entirely through sound," he said.

Bob Reid, the Scottish co-ordinator for stranded marine mammals, said the chances of rescuing a live beached sperm whale were virtually nil.

## Dying man's home is court for a day

By GILLIAN BOWDITCH, SCOTLAND CORRESPONDENT

A MAN who is suing a tobacco company for allegedly causing his terminal lung cancer saw his living room turned into a court yesterday.

Alfred McTear, 49, of Perth, Strathclyde, who used to smoke 60 cigarettes a day, gave his evidence at home because of his worsening health. He is expected to live another six weeks.

His solicitor, Cameron Pyle, said it was vital his evidence be recorded. Mr McTear's wife Margaret has pledged to continue the case should her husband die before the hearing.

The commission held in the living room included the commissioner, a QC, junior counsel, solicitors and a shorthand writer. Mr Pyle said: "The court recognises that Mr McTear will not survive to see his case to its completion as this process could take several years. The commission has been brought forward because

of Mr McTear's condition. It acted like a court within Mr McTear's front room and this step will allow the case to continue after my client's death."

Before yesterday's hearing, Mr McTear said his goal was to ensure youngsters did not take up the habit. "I've only got a short time to live but my family will be carrying on," he said. "At least they will have my testimony."

Mr McTear has lodged a writ in the Court of Session in Edinburgh. He is suing Imperial Tobacco for £500,000 and is expected to claim that the company was negligent in failing to put warnings about the dangers of smoking on cigarette packets in the 1960s, when he first started smoking. He argues that if there had been warnings, he would never have started smoking.

There are believed to be 35 similar actions waiting in the wings.

## Lawyer gets life for the 'perfect' murder

By RONALD FAUX

A SOLICITOR who bludgeoned his young wife to death with a hammer was found guilty of murder yesterday and sentenced to life imprisonment.

Warren Green, 27, of Wigan, Greater Manchester, had devised the "perfect murder" using his expertise as a crown prosecutor, Liverpool Crown Court was told. He had tried to make the death of his wife, Julie, 24, appear to stem from a dispute between drug addicts. He had then hoped to gain £120,000 from her life insurance and pursue his obsession for a young law student.

Mr Justice Ognall told Green that he had been convicted on the most clear and compelling evidence. "Probably prompted by sex and money you wanted rid of her and you killed her in a fashion marked by a chilling degree of control and concentration. You then took determined and

sophisticated steps in an effort to mislead the police. Those steps including maligning your dead wife as a criminal, a drug dealer."

The judge said that the jury had seen through Green's wickedness. Green must not expect to receive even consideration for release on licence for many years. Green's mother, Lynn, and his brother, Martin, collapsed into each other's arms crying after the verdict was announced.

During the three-week trial the court heard that Green got the idea for his wife's murder from an episode of the TV series *Casualty*. Beside the wife's body police found an empty Temazepam container and a fragment of a blood-stained £10 note. It was this note that eventually helped to prove his guilt. He told his mother-in-law and three other relatives about it before news of its discovery had been released by police.



Sir Eldon: paid wife nominal 5p a year

## I was not greedy, says MP's wife

THE ex-wife of the former Tory MP Sir Eldon Griffiths said yesterday that she had never expected that their divorce would go through without a financial settlement being made.

Sigrid Griffiths told the High Court that she did not want the divorce — and denied that when it came she went after "every last penny" from her husband, who has since remarried.

Mrs Griffiths, 63, alleges that the negligence of her solicitors, Dawson & Co, of Lincoln's Inn, London, cost her the pension she would have received as an MP's widow in the event of 67-year-old Sir Eldon's death. She is suing the firm, which denies negligence, for £74,000 damages — which represents the cost of purchasing an annuity to replace the pension, and legal costs.

Mrs Griffiths, of Victoria, west London, told Mr Justice Ewbank that since Sir Eldon, who was MP for Bury St Edmunds for 28 years, retired from parliament last year she had received a nominal 5p a year. The case continues.

## Prince of Wales meets soldiers serving in Bosnia

By MICHAEL EVANS, DEFENCE CORRESPONDENT

THE Prince of Wales travelled to within about 18 miles of the frontline in Bosnia yesterday as he met officers and soldiers from the Cheshire Regiment during a one-day trip to meet the British troops.

Serbian forces occupy a short finger of territory 15 to 19 miles north of Camp Redoubt, the mountain base where the prince flew by helicopter to meet the Cheshires and members of 35 Engineer Regiment.

A British forces spokesman in Split said that the helicopter route to Camp Redoubt steered well clear of danger spots. Royal Navy Sea King helicopters now regularly use the route and fly up to Vitez in central Bosnia and on to Kiseljak, where the United Nations Bosnian command headquarters is based.

Throughout the brief visit, taking place in bright sunshine, the prince wore a service cap with the badge of the Cheshire Regiment, of which he is colonel-in-chief. He was not asked to don a flak jacket and helmet, the standard kit for visitors venturing further north, where the warring factions are in regular conflict.

The prince had flown to Split in Croatia by Sea King helicopter from HMS Ark Royal after spending the night on board the aircraft carrier.

He was met at Divulje barracks, the main British logistics base near Split airport, by Brigadier Andrew Cumming, British forces' commander, Bryan Sparrow, British ambassador in Zagreb, and Captain Aleksij Meljevic, a former Merchant Navy man

who is the British honorary consul in Split.

The prince was shown around the operations room at Divulje barracks, which is shared with the French and Spanish. He was then taken to a hangar to meet members of 845 Naval Air Squadron, commanded by Lieutenant Commander George Wallace. The squadron operates four Sea King helicopters, which are available for evacuation of wounded UN troops.

At Camp Redoubt, near Tomislavgrad, one of two forward logistics bases in Bosnia, the prince shook hands with Lieutenant-Colonel Bob Stewart, commander of the Cheshire Regiment, and met about 50 members of the regiment. He was given a lunch of Irish lamb stew.

During the visit the prince was treated "like one of the lads", according to a military spokesman. Troops had been ordered to wear their normal working clothes. Brigadier Cumming said the army decided not to let the prince enter parts of the country made dangerous by almost a year of civil war between Muslims, Croats and Serbs.

There are 2,500 British troops serving with the UN protection force. Since their arrival last November, one soldier has been killed and three wounded. Lieutenant Morag Conway, 24, who commands a unit that takes supplies to the Cheshires, said she hoped the visit would focus attention in Britain on the dangers the troops face.

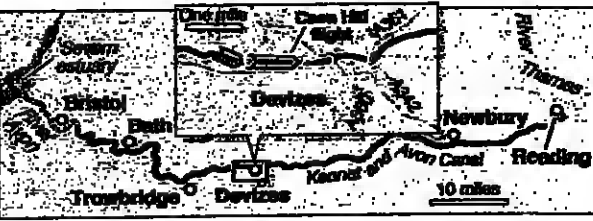
Photograph, page 26

## Trust floats appeal to keep canal full

By JOHN YOUNG

AN APPEAL was launched yesterday to raise £1.8 million for a new pumping system to ensure year-round navigation on the Kennet and Avon Canal.

The 87-mile waterway, which links the Thames at Reading with the Avon near Bristol, was built by John Rennie and opened in 1810 to transport goods from the West Country to London. It was largely superseded by the construction of Brunel's Great Western Railway and



was closed to commercial traffic in 1951.

The canal was rescued from dereliction by the Kennet and Avon Canal Trust in what has been described as the biggest voluntary civil engineering project yet to be undertaken

in Britain. After nearly 40 years of work clearing silted channels and repairing more than 100 locks at a cost of £3 million, it was reopened by the Queen in 1990.

But continuing difficulties have been aggravated by

drought, which has made it difficult to maintain an adequate water flow, particularly across the summit at Crofton near Marlborough and over the spectacular flight of locks at Coen Hill, Devizes.

The proposed new installation would pump water back from the Bristol Avon to Crofton, allowing unrestricted navigation and safeguarding the canal's commercial and environmental benefits. British Waterways, which owns the canal, said it fully supported the trust in its appeal.

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When will the government act, ask the men who have already seen Britain's deep-sea fleet die

## Fishermen fear for the future of their industry

By PAUL WILKINSON

RICHARD Brewer has been a fisherman since the day he left school to work on his father's boat, almost a quarter of a century ago. Unless there are changes soon it is not an industry he wants his two young sons to enter.

"If I were a businessman thinking about moving into fishing then I'd take one look and run a mile," the trawlerman from Whitby, North Yorkshire, said. "Some weeks we barely cover our expenses. It's only people like me, with a family tradition in fishing, who keep it going. What with restrictions on the amount of fish we can catch and now the new restrictions on how many days we can go to sea, it's becoming impossible."

He is one of 16,800 British fishermen chafing against what they see as unreasonably restrictive catch quotas imposed by the European Commission to conserve dwindling stocks in the North Sea. Some have taken to attacking consignments of imported fish after seeing how such tactics

won aid worth £36 million for French fishermen.

The real problem is that there are too many boats chasing too few fish. Many feel this can only be resolved if the government pays for surplus vessels to be scrapped.

Last year Mr Brewer, 39, paid £250,000 for his 10-year-old inshore trawler, *Jasper*. He needs to sell £2,500 of fish a week to keep the boat operating; on top of that he has to pay his crew and his own bills. *Jasper* used to have a crew of six, today it is just Mr Brewer and three hands. The crew are paid by the traditional method of a share of the proceeds from the catch.

*Jasper* lands about 1,000 stone of fish a week at the markets of Whitby and North Shields on the Tyne. When times were better Mr Brewer could expect to get more than £7 a stone. Last week it was less than £4. "There's precious little profit in that, hardly anything to give the crew their share."

He cannot land more fish to

increase their income because of quotas to preserve stocks. He is allowed to land 50 boxes each of haddock and codling for each member of his crew and 35 of whiting. "In a good month you can land that in two weeks, sometimes one. Then you have to pack up until the next month."

It riles that the fishing fleets from other EC countries and Scandinavia do not face such tight quotas. "When they have picked up all they can land at home they dump the surplus on the British market, and there is nothing we can do to keep them out."

The fishermen blame a government which they say has consistently sold them out for the benefit of the farmers at the EC negotiating table. "We have staggered from one crisis to another every five or six years since 1975, but this is the worst for a long time," Mr Brewer said. "We have lost our deep-sea fleet, soon it will be the inshore boats that go. When will the government do something?"



Waiting for the tide to turn: Richard Brewer began work on his father's boat, but wonders whether his sons will join him on his trawler

## Parents put cheap breaks before school

By HARVEY ELLIOTT, TRAVEL CORRESPONDENT

A RASH of free holiday offers for children and off-peak price cuts has led to a record number of parents applying to take their children on holiday during the coming summer term.

Tour operators say that the number of families making early bookings outside the peak month of August has risen by at least 20 per cent and teachers fear that education could suffer.

By avoiding the peak summer holiday period, savings of at least 35 per cent and often as much as 50 per cent are available. This, combined with thousands of free child offers, has tempted families who would not otherwise be able to afford a holiday to bring forward their planned breaks.

Mark Hammerton, managing director of French Country Camping, said: "For many parents the financial benefit of holidaying during term-time has outweighed any concerns about taking children out of school." Roger Allard, director of Owners Abroad, Britain's second biggest holiday company, said: "Tour operators have to offer incentives to fill the off-peak periods and in these recessionary times it is not surprising that people are taking advantage of the big savings."

But Jean Byers, head of the professional and legal committee of the National Association of Head Teachers, warned that if even one child was absent from a class all would suffer. "We normally only get requests to take children out of school a week or two before they go but already this year there have been a large number of applications," she said. "Some teachers are already expressing concern and

it is clear that there will be a flood later on."

"Parents must give special consideration to what they are doing, especially if their child is coming up to an exam or even an internal assessment. When they return to the class the teacher then has to spend time making sure they have caught up and it therefore affects everyone in that class."

"I would have hoped that the travel trade could do more to help people go in August rather than encourage them to take children out of school. I understand the problem for families who cannot afford to pay high prices and it is important for a family to holiday together, but it is also the responsibility of the parents to ensure that their off-spring are not disadvantaged as a result."

George Marcell, marketing director of Airtrous, said that the growth in off-peak holidays was concentrated on camping. "These generally attract families with younger children who do not have important exams coming up."

The savings can be very attractive. French Country Camping is offering a 14-night camping holiday in France for a family of four for £409 in late June compared with £739 in August.

Most tour operators offer the biggest savings and most free child places for holidays taken in May and June when their brochures are published soon after Christmas. Most have been sold.

Children can take two weeks off from school in term-time provided the school gives written approval in advance. Most state schools break up for the summer holidays this year on July 27 and return on September 6.

## Homeless Cathy returns to screen

By ALEXANDRA FREAN, MEDIA CORRESPONDENT

CATHY Come Home, the play about a young homeless couple that became a landmark in the history of British television, is to be screened for the first time in 17 years. The play, which led to the establishment of the campaigning charity Shelter, is part of a two-week Channel 4 season.

When it was first screened by the BBC in 1966, the play was described by *The Times* as "a searing indictment". A spokeswoman for Shelter said: "Although we now have legislation to prevent homeless families with children being split up, people's rights to housing are now being whittled away. There are still one million 'unfit properties' which are occupied today—far more than a decade ago."

*Cathy Come Home*, written by Jeremy Sandford and directed by Ken Loach, tells the story of Cathy and Reg, a young couple who are evicted from their home



Carol White: vivid portrayal of despair

and find their children put into care. Carol White's vivid portrayal of despair helped the programme win a Prix Italia in 1968. It will be broadcast on Wednesday, March 31, at 10.30pm. Channel 4's decision to screen *Come On Down And Out*, a homelessness game show, the day before has been criticised. MPs said it was "an extremely tasteless idea" and a spokesman for *The Big Issue*, a fundraising magazine, described it as a "very sick" play.

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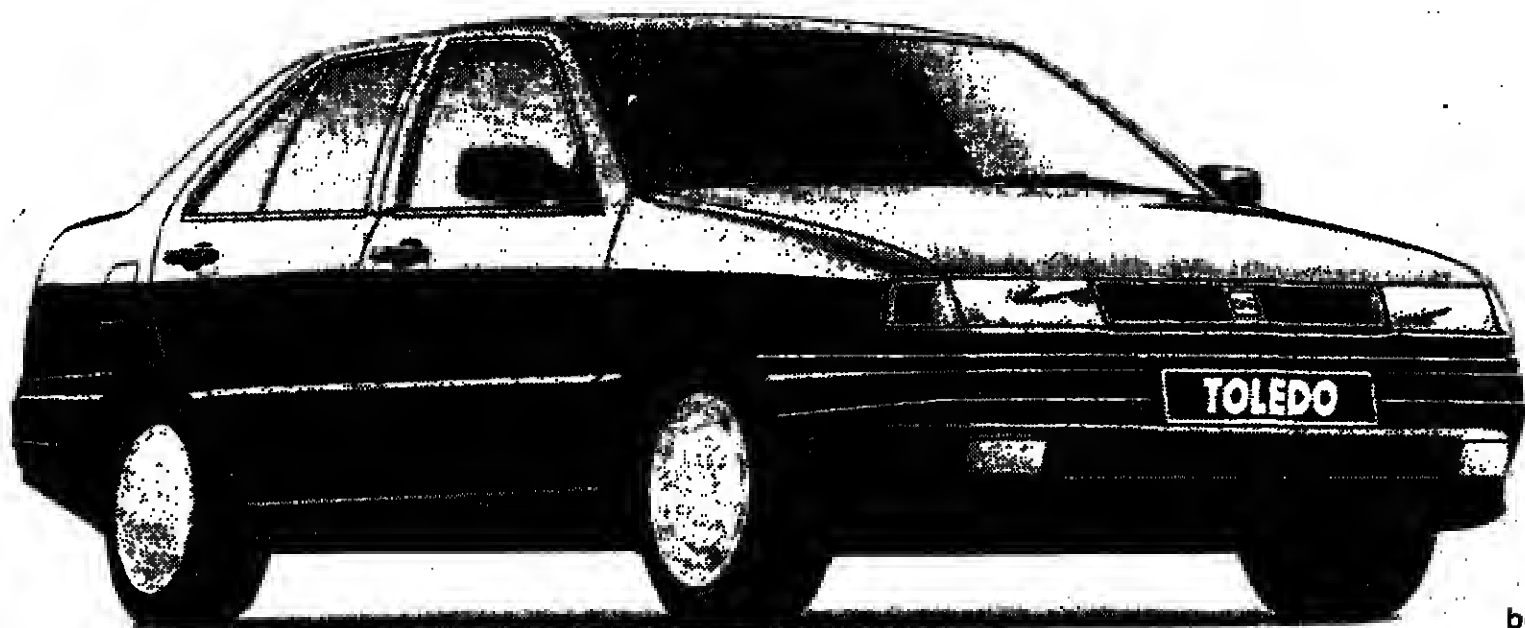
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## BR uncovers hidden asset from the earliest days of steam

## Developers aim to restore forgotten railway vaults

BY TIM JONES, TRANSPORT CORRESPONDENT

A FORGOTTEN cavern, almost cathedral-like in scale, which was built by Robert Stephenson to enable Euston station to become London's first rail passenger terminus, could soon be publicly revealed for the first time in 150 years.

Stephenson's Vaults in north London, a monument to the tenacity of Victorian engineering, have lain flooded and forgotten for decades, outlasting the demise of steam, rail nationalisation and the Beeching cuts.

They are a dramatic legacy of an age when the Industrial Revolution made engineers kings among men and engineering challenges could be tackled with only limited thought given to environmental concerns.

The vaults, which lie beneath the railway tracks alongside Camden goods yard in north London, were conceived by Stephenson after Parliament empowered the Birmingham Railway in 1837 to extend from Camden goods yard down to Euston.

Stephenson realised his railway engines, developed from his father's pioneering locomotive — were not powerful enough to cope with the slope and he overcame the problem by building his 100ft long, 65ft wide cavern, which was marked by two 150ft chimneys.

Inside he built huge steam-powered winches that pulled the trains up to Camden from Euston on a mile-long rope. The rope itself, 7in in circumference and weighing almost 12 tons, was a wonder of the age. The whole operation was co-ordinated by officials using what is believed to be the first commercial telephone line in the country. By 1844, Ste-

phenson had developed locomotives that could manage the incline without assistance. The engines were sold to a coal mine in Russia and the vaults abandoned. According to English Heritage: "The majestic scale of the vaults puts them in a class with other celebrated engineering monuments of the railway age."

Brian Waters of the Bolsof Waters Cohen Partnership, which is hoping to develop the site, has submitted a plan to Camden council which envisages it being used as a heritage gallery and a retail and health club centre.

Mr Waters said: "The Camden Goods yard is of major significance to the development of London and the railways. It would be a wonderful tribute to Stephenson if it could be used and enjoyed by the public."

At present, much of the site is unused but important landmarks of the railway heritage remain: the Roundhouse engine shed, the engine vaults, the Grand Union Canal and the great cutting down to Euston.

The same problem had occurred at the Liverpool and Manchester railway, where the steep incline from Edgehill to the Wapping terrace ran for much of the way in a tunnel.

Since the act for that line stipulated that steam was not to be used in the tunnel, alternative traction was provided by a cable hauled by stationary engines at the top of the incline.

It was such schemes that contributed to Stephenson's reputation as one of the master engineers of the Victorian era.



Tunnel in time: Mike Smith, a BR surveyor, explores the abandoned vaults whose construction in 1837 is illustrated in a contemporary etching

## Matrix Churchill men want legal back-up at enquiry

BY CHRISTOPHER ELLIOTT

THREE directors of Matrix Churchill who were cleared of illegally exporting defence equipment to Iraq have told Lord Justice Scott that they will give evidence to his enquiry, but only if they are legally represented and their costs met out of public funds.

Paul Henderson, Trevor Abraham and Peter Allen were cleared of illegally exporting equipment for making shell fuses to Iraq when the Customs and Excise case against them collapsed after the former minister Alan Clark admitted he had been "economical with the actualities".

A report yesterday said that Mark Gutteridge, a key witness at their trial, would not give evidence to the judicial enquiry into the arms-for-Iraq affair. It surprised the eight members of the secretariat assisting Lord Justice Scott.

Mr Gutteridge, a former employee of Matrix Churchill, gave important evidence at the trial regarding his near 20 years as an agent of M15 and M16. He told the jury that he

had passed on information about the machine tool company's trade with Iraq, an activity he feared could endanger the lives of himself and his family. He told the *Daily Telegraph* that he had "everything to lose and nothing to gain" by giving evidence to Lord Justice Scott.

Mr Henderson said last night: "Our position is clear. Our lawyer has notified the enquiry that we are prepared to give evidence but only if we are legally represented and all our costs are paid for. We have not yet had a formal reply to our request, but have been told that details of the form of the enquiry are to be announced soon."

Lord Justice Scott is expected to make an announcement next week. He will set the scene for the most important public enquiry concerning government probity since Lord Franks' investigation into the events that led to the Falklands conflict.

The enquiry will attempt to discover whether government departments connived in the

export of defence equipment and dual-use goods to Iraq for years before the Matrix Churchill case. Lord Justice Scott has also been asked to investigate events surrounding the so-called supergun affair.

He is reaching the end of the herculean task of reading himself into 170 volumes of government documents, including more than 10,000 released by M15 and M16. These highly sensitive papers are being held at the offices of the enquiry, near Buckingham Palace.

As well as stating when and where he is to hear the oral evidence, the judge may also make it clear from whom it will come and how much of it will be in public. It is expected that at least 30 witnesses, including ministers past and present, intelligence agents and civil servants, will be called to give evidence.

Although no one has yet been formally approached to give evidence, a spokesman for the enquiry team said they had received no indication that any other likely witnesses

would not give evidence. Mr Alan Clark, the former defence and trade minister whose admission at the trial was a key reason for Customs and Excise dropping the charges, told *The Times* yesterday that he would give evidence. A spokesman at the office of Baroness Thatcher said that if asked to give evidence she was "likely to do so".

A number of civil servants, however, are concerned about being called before the enquiry and may refuse the invitation. They fear that their evidence might breach oaths of confidentiality or be a breach of the Official Secrets Act. A number of senior officials are trying to find out whether they may be legally represented.

The eight-strong team supporting Lord Justice Scott includes three officials from the Department of Trade and Industry and two lawyers. Presley Baxendale QC will lead the questioning at the hearings, which are likely to start by the end of next month.

## NEWS IN BRIEF

## Bird stocks fall as food runs out

Flocks of wading birds have been forced to abandon their traditional winter feeding grounds on the Wash because of a shortage of shellfish and are appearing in back gardens.

Many of the birds — oystercatchers — have died because of a shortage of cockles and mussels in the tidal waters between Norfolk and Lincolnshire, according to a British Trust for Ornithology report.

A spokesman said this year's count of oystercatchers was down to 12,000 compared with 45,000 in 1988. The birds were having to travel long distances to hunt for alternative food such as earthworms.

## GP struck off

Dr Meegahawatte De Silva, a GP in Milton Keynes, was ordered to be struck off by the General Medical Council for offering "potentially dangerous" pills and injections to overweight women as a slimming cure.

## Body found

Police are questioning a 35-year-old man after the body of a 14-year-old girl was found dumped in a telephone kiosk near her home in Kirkby Woodhouse, Nottinghamshire.

## Train hits cars

Two cars left on a railway line by joyriders were wrecked when a goods train ploughed into them in Saltburn-by-the-Sea, Cleveland. The train crew was unhurt.

## M-way delays

Drivers on the M1 can expect delays until the end of the year after work widening the north-bound carriageway starts between junctions 9 and 10 in Bedfordshire and Hertfordshire on Monday.

## Spot the dog

The editor of the *Llangetho Times* in Dyfed is claiming that a spot-the-sheepdog contest has boosted sales by 17 per cent in a rural area where readers are not interested in spotting footballs.

## Carried away

Tourist chiefs in Hull are planning a rickshaw service to boost tourism in the port area.

## Submariner boards fast train to success

BY MICHAEL EVANS, DEFENCE CORRESPONDENT

A FORMER submarine commander has switched successfully, after 22 years in the Royal Navy, to British Rail.

Andy Johnson was once second-in-command of the nuclear-powered hunter killer submarine HMS *Swiftsure*, and commanding officer of the diesel-powered boat HMS *Oryx*.

His transfer to civilian employment has given hope to the thousands of servicemen leaving the armed forces under the *Options for Change* redundancy programme and now hunting for jobs.

Mr Johnson, 45, was not consciously looking for a different form of transport when he applied for the post of area manager for Plymouth and Cornwall, in charge of 13 managers and 700 rail staff. His positive leadership style, honed during his first career, paid dividends and after two years he was rated a great success. He said: "I had an



Johnson: his example gives hope to others

excellent team and they genuinely welcomed me." Mr Johnson, who lives with his wife and two children near Chippenham, Wiltshire, is now in a newly created post as on-train service manager for Paddington-Swindon and Paddington-Penzance trains. For servicemen taking redundancy, Mr Johnson advised against "thinking you know it all". They should not be over-confident, he said.

## Swindon leads new university race

BY JOHN O'LEARY, EDUCATION CORRESPONDENT

A NEW wave of satellite universities is poised to fill the gaps in the higher education map of Britain, in spite of the government's *outback* in student numbers.

Tomorrow, Swindon will become the latest town to launch a university plan. The Cranfield Institute of Technology, which already has university status, will go into partnership with Swindon College to provide Wiltshire's first full higher education programme.

Lincoln is also expected to receive Privy Council approval soon for a university. The county council has committed £10 million to the project, in response to an initiative by the local business community.

The campus, which will cost £32 million and is planned to open in 1996, will be an outpost of Nottingham Trent University initially. But the ultimate objective is to create an autonomous university for the region, which first tried to

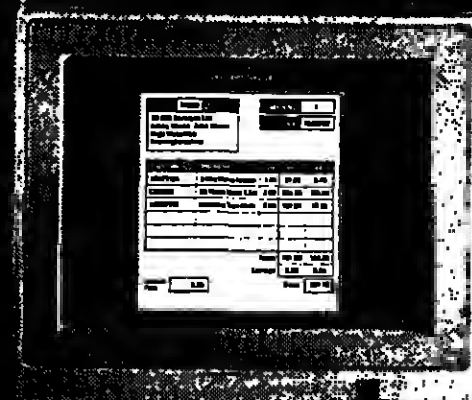
create a university at Stamford in 1930.

Similar ventures are already in operation, in Stockton-on-Tees, Cleveland, and Telford, Shropshire. Stockton's university college is a joint initiative by Durham and Teesside universities, while Telford's fledgling campus is part of Wolverhampton University.

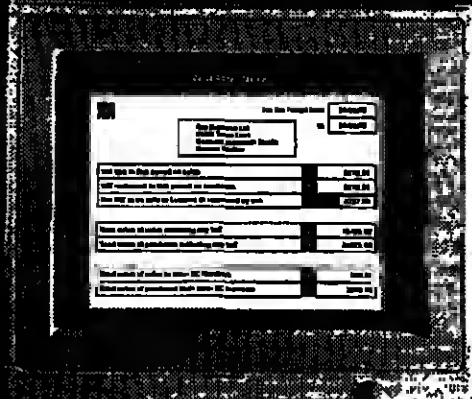
Other universities have created a network of associated colleges. De Montfort University, for example, although based in Leicester, offers courses in colleges throughout the Midlands, as well as running a campus in Milton Keynes.

The Higher Education Funding Council for England is encouraging such developments with a £5.5 million fund for new courses in areas with little higher education provision. Although universities will be limited to 100 students per project, the council has a large number of bids to consider by May.

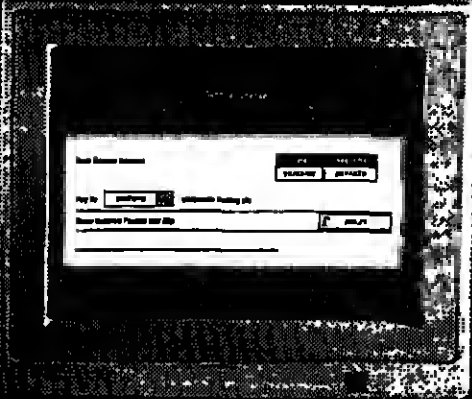
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## Yugoslav general in Iraq to negotiate 'arms for oil' deal

FROM TOM JUDAH  
IN BELGRADE

THE drama of eastern Bosnia-Herzegovina continued yesterday as Serb leaders played for time in their campaign to crush the Muslim enclave of Srebrenica, overflowing with hungry and desperate refugees.

It was disclosed that Yugoslavia's army chief, General Zivota Panic, visited Baghdad on Monday where he was reported to have talked about the "common destiny of the Iraqi and Yugoslav peoples". Sources in Belgrade believe that General Panic discussed arms-for-oil deals.

According to Baghdad radio, "General Panic exposed the subversive role of US imperialism... He also exposed the policy of those revolving in its orbit which aims to destroy Yugoslavia." General Panic met Iraq's minister of defence, Ali Hassan al-Majid. Officials at the Yugoslav ministry of defence declined to comment on the

**Serbs continue to delay supply convoys. Now the Yugoslav army chief has asked Saddam Hussein to beat UN sanctions**

report. Yugoslavia and Iraq are under international sanctions — even South Africa has now imposed UN-ordered sanctions against Yugoslavia — but Iraq has oil, one of the main commodities Serbia needs to keep afloat.

Almost all Islamic countries turned against Yugoslavia after the war in Bosnia began and are now the loudest voices calling for military intervention in the country. Iraq and Libya backed Belgrade, although yesterday there were signs that even Libya was turning against the Serbs. The Yugoslav ambassador to Tripoli was summoned to see Colonel Muammar Gaddafi, who is reported to have told him: "The world's conscience cannot bear the continuous... killing of children, old people and women."

Meanwhile, Radovan Karadzic, the Bosnian Serb leader, spoke to Sadako Ogata, the High Commissioner for Refugees, yesterday by telephone and assured her that not only would a blocked convoy for Srebrenica be allowed to leave but so would three others. However, local commanders were insisting yesterday that the Srebrenica convoy could not leave with its Canadian military escort or with its communications team. This was unacceptable to the UN and the convoy remained blocked.

The UN and Bosnian Serbs have discussed a deal in which the Srebrenica convoy would take food to the town and evacuate the wounded to Bosnian government-held Tuzla, then move Serbs from there to Serb-held territory.



Breton barrage: farmers pelt police with some of the 3,000 tonnes of unsold potatoes dumped in Pontivy, Brittany, at a demonstration over falling sales

## Yeltsin presses for early aid summit

FROM ANATOL LIEVEN IN MOSCOW

PRESIDENT Yeltsin yesterday appealed for urgent economic aid from the West and said that the July summit of the Group of Seven leading industrialised countries might come too late to save Russia. Mr Yeltsin was speaking after meeting President Mitterrand of France in Moscow.

M. Mitterrand, whose one-day visit was intended to prop up the Russian leader's authority, suggested that G7 leaders should meet as soon as possible after next month's summit between Mr Yeltsin and President Clinton in Vancouver. In Paris earlier, a presidential spokesman said that M. Mitterrand would "demonstrate his support for and confidence in Yeltsin during this period of constitutional deadlock... France seeks the success of democratic reforms and economic recovery." M. Mitterrand and Mr Clinton agreed last week in Washington that the G7 countries should move to help Russia before the July summit, but G7 officials who met in Hong Kong last weekend to plan the summit put forward no plans for extra aid or an emergency meeting to discuss this.

Anxiety in the West about the threat to Mr Yeltsin is rapidly growing, but some of the other former Soviet republics are even more concerned. Even a government of the present Russian "centrist" opposition to Mr Yeltsin would be likely to take a much more strongly nationalist line, particularly over issues such as the rights of Russians in the Baltic states and the status of the Crimea, currently a subject of dispute between Moscow and Kiev. If hardline Communists and extreme nationalists came to power, the entire region could face the risk of war.

□ **Popular support.** Mr Yeltsin's office said yesterday that it was receiving more than 3,000 letters a day urging the president to consult the people, to end his power struggle with parliament. The letters attack the decisions of last week's emergency session of the Congress of People's Deputies, and called on the president to "defend democracy and reforms". The office said those writing were particularly upset that the Congress had blocked Mr Yeltsin's plan to consult the people with a referendum. (AFP)

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Of course, those who spend a fortune advertising their wares on telly would like to think we

all sit glued to the commercials. Sorry, but we don't. And unless there's a secret formula for changing a habit of a lifetime, chances are we never will.

Newspapers, however, are a different kettle of fish altogether. Leave the room for a minute,

and they're still there when you get back.

Make tea, make love, make a macaroni cheese, and you can still read the paper afterwards.

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if someone leaves the room between 9.58 pm and 9.59 pm on a Thursday night.

And when you consider how much cheaper it is to advertise in the press... well, we won't go into that here. After all, some poor soul reading this may just

have signed away a couple of million quid on a sexy new television campaign.

In which case, something quite a bit stronger than a cup of Rosy Lee may be in order.

## Chirac's allies vow to scrap farm deals

FROM CHARLES BREMMER  
IN PARIS

WHILE President Mitterrand has been busy with visits to Washington and Moscow over the past week the probable leaders of the next French government have made promises on foreign policy that could lead to confrontation with the allies.

Both Jacques Chirac, the Gaullist leader, and Valéry Giscard d'Estaing, the leader of the centre-right UDF grouping have promised that once in power, their government will scrap both the accords on farm trade between the European Community and Washington and last year's reform of the common agricultural policy. EC and US officials are trying to gauge whether to dismiss these as campaign rhetoric or prepare for a new period of French obstructiveness.

M. Chirac says he will have nothing of the farm accord, reached last November with the Gatt. "The Americans



will be outraged. There will be a battle of wills and we will have an agricultural crisis in Brussels. That is not very serious. Europe has been built out of a series of crises overcome," he said.

M. Giscard d'Estaing, whose pro-European credentials are far stronger, is also calling the Gatt accord completely unacceptable and on Monday he promised to dismantle the CAP reform.

For the past few months, France's partners have observed something of a moratorium on the trade issues, putting down the rhetoric from both the Mitterrand administration and the opposition to the need to appease the country's militant farmers. However, their patience is running out. Germany has signalled over the past week that French obstruction to a new Gatt accord, which Bonn sees as vital, could endanger the Franco-German alliance and German support for the strong franc in particular.

□ **Post wanted:** Facing the prospect of unemployment after the elections, Bernard Kouchner, the popular health minister, has applied for a teaching post at a Paris medical school. (AFP)

## Georgia accuses Moscow

Moscow: Eduard Shevardnadze yesterday accused Russian troops of taking the side of Abkhazian separatists as fighting intensified in the Black Sea town of Sukhumi. The Georgian leader, in a telephone call from Sukhumi, the capital of Abkhazia, said that at least 70 people had been killed in an attack and 100 houses had been destroyed in air raids.

"After today's events I can say that we are facing a conflict between Georgia and Russia," local journalists quoted Mr Shevardnadze as telling parliament in the capital, Tbilisi. (Reuters)

## Italian scandal claims leader

Rome: Renato Altissimo, head of the Liberal Party, a junior partner in the ruling coalition, resigned after coming under investigation in Italy's corruption scandal.

Signor Altissimo said that he was going "in order to have a freer hand to defend my honour" and denied ever taking bribes. (Reuters)

## Espinosa dies

Panama City: Ricardo Arias Espinosa, the Panama president from 1955 to 1956, died on Monday after a long fight against cancer. He was 80. President Endara declared yesterday a day of national mourning. (AP)

## My Lai service

Hanoi: More than 1,000 Vietnamese villagers, joined by officials and American visitors, gathered at a stone memorial to mourn 504 villagers who were killed by American soldiers 25 years ago in My Lai. (Reuters)

## Pay protest

Aden: A general strike paralysed southern Yemen as angry workers demonstrated against the government's failure to pay public employees for the past three months. (Reuters)

## Naked rage

Sydney: Australian women's groups have called on Toyota, the Japanese car manufacturer, to withdraw full-page newspaper advertisements using a naked pregnant woman to launch a new wide-bodied car. (Reuters)

## Holy water

Osaka: Fifteen Buddhist priests have opened a bar in western Japan to try to meet people and halt the move away from religion, the daily newspaper Asahi Shimbun has reported. (Reuters)

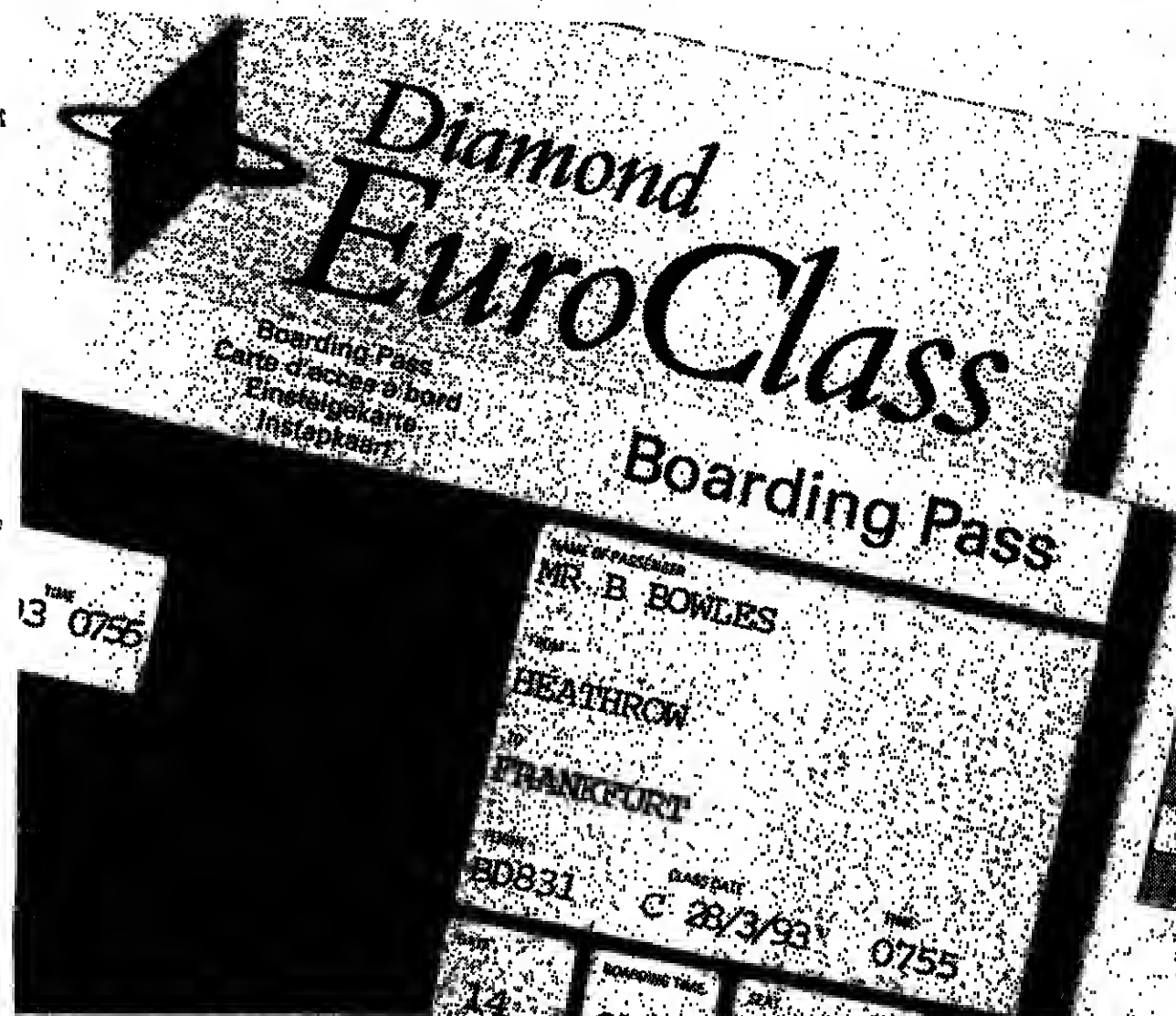
## U.S. To Give Away 40,000 Permanent Resident Visas

British are now eligible for immediate U.S. Permanent Residence ("Green Card") Visas through a lottery run by the U.S. Government. The opportunity is open to anyone born in the U.S. or married to, or the child of, a person born in the U.S. The deadline to apply is March 31, 1993. Irish are also included. permanently in the U.S. The same rights are given to spouse and unmarried children under 21. There is no requirement to give up present citizenship. "This one-time 'Green Card Giveaway' does not require special job skills or educational or financial qualifications. Entry details and full information are available FREE, and will be mailed to you the money deadline. Send check/credit card or cash, your name, address and nationality, to: GREEN CARD INFORMATION - 1540222, Colorado Blvd., Suite 8122/Los Angeles, CA 90048/U.S.A. Or FAX to: (310) 978-2433. Or TELEPHONE: (310) 481-3822.

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## Extremists step up terror campaign as Cairo buses bombed

FROM CHRISTOPHER WALKER  
IN CAIRO

A BOMB exploded yesterday outside Cairo's antiquities museum, a favourite spot for foreign visitors which houses the world's finest collection of Pharaonic treasures. No one was hurt.

Five tourist buses were damaged in this latest attack in the terrorist campaign against tourists to Egypt. It was widely assumed to be the work of Islamic militants determined to overthrow the government and replace it with an Islamic republic.

The bomb exploded at 1pm on the edge of the city's busy Tahrir Square, close to the imposing Nile Hilton Hotel, causing panic among passers-by. The buses were empty at the time. The attack followed a warning by the militant Islamic Group that all foreigners should leave Egypt and liquidate their investments.

The bomb had been planted in or under the luggage compartment of one of the buses.

■ Islamic militants have cost Egypt £700 million in lost tourism. Despite heightened security, they appear able to strike at will

Police sources said it blew a hole ten inches deep in the asphalt of the car park. The government had in recent days heightened security around the museum — whose 100,000 exhibits include the gold mask of King Tutankhamun — and all other main tourist venues in the country.

The blast occurred only a few hundred yards from the coffee house destroyed on February 26 in a bomb attack in which two tourists were killed and eight injured. Investigators have been trying to find if there was any link between that explosion and the bomb which ripped through New York's World Trade Centre on the same day. It has also been suggested that an Islamic group might have been behind last Friday's bomb attacks in Bombay.

Although there was no immediate claim of responsibility for yesterday's blast, it was widely assumed by security experts to have been the work of the Islamic Group. Forty three members of the group are on trial in a military court for various attacks on tourists. The Islamic campaign against tourism, designed to cause maximum economic damage to the government has led to losses of about £700 million in revenues since last summer. Earnings from tourism provide the Egyptian exchequer with its largest supply of foreign currency.

Yesterday's blast was seen as a widely predicted backlash against tough police action. Last week police killed 16 Islamic militants and wounded 50 in gun battles in and around Cairo and Aswan.



Model tyrant a waxwork President Saddam gets final touches before being displayed at Madame Tussaud's yesterday. Visitors have again voted him top in the hate and fear section of the annual Tussaud's poll

## Clashes prompt Israeli security alert

FROM RICHARD BEESTON  
IN JERUSALEM

ISRAELI yesterday drafted in thousands of extra police and troops to help contain the spiralling violence between Arabs and Jews, which could threaten efforts to revive the Middle East peace process.

Shimon Peres, the Israeli foreign minister, who is standing in for the prime minister, Yitzhak Rabin, while the Israeli leader is in Washington, ordered the security clampdown in Israel and the occupied territories after a series of attacks by Palestinians against Israelis and retaliatory actions by Jews against Arabs.

All leave for policemen has been cancelled until further notice and officers have begun working 12-hour shifts in an effort to boost the force's manpower by 30 per cent. In addition, extra troops have been sent to the occupied West Bank and Gaza Strip.

Yesterday, Palestinians accused settlers of murdering Nasser Aishe, 24, whose body was discovered near the Nur Shams refugee camp in the West Bank town of Tulkarm. In other incidents, one Palestinian teenager was shot dead by the army and 45 injured in the Khan Yunis refugee camp in the Gaza Strip.

The heavy casualty rate has become almost routine over the past two weeks: six Israelis and eight Palestinians have died in the upsurge of violence, which the government appears unable to halt.

The sense of impotence was most clearly illustrated when the police chief, Yacov Ternier, appealed to the country's 300,000 civilians with firearms licenses to carry their weapons at all times. Although the call was widely criticised by left-wing ministers as a prelude to vigilantism, it has led to a rising business at the country's gunshops and shooting ranges, where there is a rush on semi-automatic pistols.

Speaking to reporters in Washington, Mr Rabin has tried to calm the near-hysterical public response to the attacks by explaining that the authorities are hard-pressed to monitor the activities of all 1.8 million Palestinians.

However, his comments that "stabblings do not threaten Israel's existence" has caused anger in some quarters where it is felt he is insensitive to the country's security needs and more interested in pursuing diplomatic efforts in Washington than safeguarding his people.

The Israeli leader's low-key response is partly a result of his talks with President Clinton on Monday, when the two leaders agreed to pursue the stalled peace process in an effort to lure the participants back to the negotiating table on April 20. Mr Rabin is aware that, if he resorts to a brutal crackdown in the occupied territories now, the Palestinian delegation will almost certainly carry out its threatened boycott of the peace negotiations.

## Gangsters 'bombed' Bombay

FROM AFP  
IN BOMBAY

MUSLIM members of Bombay's underworld carried out the bombings here last week and the blasts may have been aimed at avenging the deaths of Muslims during communal riots, a senior police officer said yesterday.

Additional Police Commissioner V. N. Deshmukh said police had concluded that the 11 bombings were staged by members of a criminal syndicate linked to known Bombay crime boss Dawood Ibrahim, a Muslim who lives in Dubai. "The linkage has been conclusively established," he said. "The involvement of the locals is very much there."

He said Muslim gangsters may have carried out Friday's bombings, which left nearly 300 people dead and 1,250 injured, to avenge the large-scale killings of Muslims by Hindu mobs during sectarian violence in January. "There is certainly a religious factor."

Nearly 700 people died and many Muslim shops and businesses were torched during ten days of rioting in Bombay in January after the December 6 demolition of the ancient Babri mosque in the northern town of Ayodhya by Hindu extremists.

Amarjit Singh Samra, the Bombay police chief, announced that police were looking for several Muslim gangsters suspected of links with Mr Ibrahim, who is accused of running prostitution, gambling and extortion rackets in Bombay. The suspects include Philoo Khan, 30, and Mangesh Pawar, 26, who are alleged to have booked rooms at the hotels where bombs exploded.

## Tehran opponent is shot dead in Rome

FROM JOHN PHILLIPS IN ROME  
AND EVE-ANN PRENTICE

GUNMEN on a motor scooter shot and killed a senior opponent of the revolutionary Iranian government in a Rome street yesterday, raising fears of a revival of Middle East terrorism in the capital.

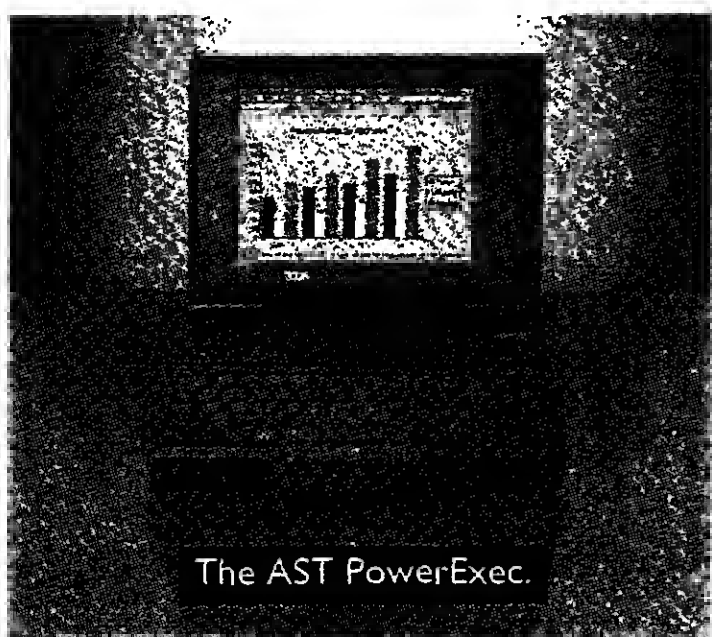
Two men said to be of Middle Eastern appearance rode up to a car carrying Muhammad Hussein Nagdi, the Rome representative of the Iranian National Resistance Council. The pillion fired two rounds from a machinegun into the car, wounding Mr Nagdi, 42, in the head and abdomen. He died shortly after being taken to hospital.

The killing was the first of an Iranian citizen in Rome since 1984, when a Jordanian man shot dead Nourine Montasseri, the 23-year-old girlfriend of a United Arab Emirates diplomat, Muhammad al-Sawadi, who was wounded in that attack. Dozens of exiled opponents of the revolutionary Tehran government have been killed in Europe in the last two decades, including the last prime minister of the Shah, Shapur Bakhtiar, who was murdered at his home on the outskirts of Paris in August 1991. Mr Bakhtiar had his throat slit and an aide, Soroush Katibeh, was stabbed to death, when two or three assassins visited his home posing as supporters.



Nagdi: shot in the head and abdomen

The killings bore chilling similarity to the murders in the same year of Abdul Rahman Boroumand, an Iranian dissident, also in Paris, and of the Japanese translator of Salman Rushdie's *The Satanic Verses*. Iranian death squads are also believed to have been responsible for a number of murders in London. Bijan Fazeli, an Iranian exile, was killed in 1986 in London.



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Clashes prompt Israeli security alert



## NORMAN LAMONT

The Chancellor's speech in detail  
Pages 15, 16, 17



## FAMILIES

What the changes in tax will mean  
Page 18



## INDUSTRY

Is this the recipe for recovery?  
Page 12

EIGHT PAGES  
OF DETAILS  
AND  
ANALYSIS

# THE BUDGET

## Lamont hints at further tax increases to contain deficit

The Chancellor's prediction of a £50 billion public sector borrowing requirement, at the top end of City expectations, was seen as confirming that Britain faces chronic financial problems for years to come.

By JANET BUSH  
ECONOMICS CORRESPONDENT

THE Chancellor of the Exchequer confirmed yesterday that Britain faces chronic problems in its public finances for some years to come and implied that the tax increases for the next two years will not be the last in the current Parliament if the government is to regain control of the deficit.

The Budget was welcomed by the financial markets because of the dose of realism it brought to forecasts for the economy, although there was also a sense of gloom because the outlook has been acknowledged to be extremely difficult.

Norman Lamont's forecast of a £50 billion public sector borrowing requirement (PSBR) in the coming fiscal year — far higher than the £44 billion projected a few months ago in the Autumn Statement — was regarded by the markets as a fair estimate. There was some satisfaction that the government had been honest about the depth of the public finance problems. Mark Cliffe, of Nomura Research, said: "The government has hurried into reality."

Senior Treasury officials acknowledged that the Autumn Statement figure should never have been regarded as a serious forecast. They said that the latest forecast had to be pitched higher because personal incomes were expected to be lower than previously anticipated in the coming year, and corporate profits higher. Corporation tax receipts are collected a year later.

The government's forecasts for the public sector deficit over the next few years make grim reading. Last year, Mr Lamont envisaged a near-balanced budget by the end of the current Parliament, using clearly optimistic growth forecasts. It has now been acknowledged that growth will be much weaker and that the PSBR will still be at £3.75 per cent of gross domestic product by 1997-8 and then only after a 1.7 per cent increase in the tax burden as a percentage of gross domestic product. This remains above the 3 per cent limit enshrined in the Maastricht treaty.

Clifford Lyons, economist at DKB International, said he was relieved that the government had chosen not to raise taxes this year but remained gloomy about the longer-term prospects for the economy. "Even on the government's assumption that it can secure a sustainable recovery, it has

admitted that we face a persistent, structural Budget deficit which is not going to go away," Mr Lyons believes that the government will have to raise taxes further and that the Chancellor should have cut base lending rates.

The Chancellor has raised his forecast for growth this year to 1.25 per cent from the 1 per cent predicted in the Autumn Statement but, according to Mr Cliffe, the government appears to acknowledge the debilitating effect of its tax increases by forecasting 3 per cent growth in the year to the middle of 1994, falling off towards the end of the year.

Consumer spending is expected to rise only by 1.25 per cent this year and 1.75 per cent in 1994. Investment is expected to remain subdued, with growth of only 0.5 per cent predicted for this year.

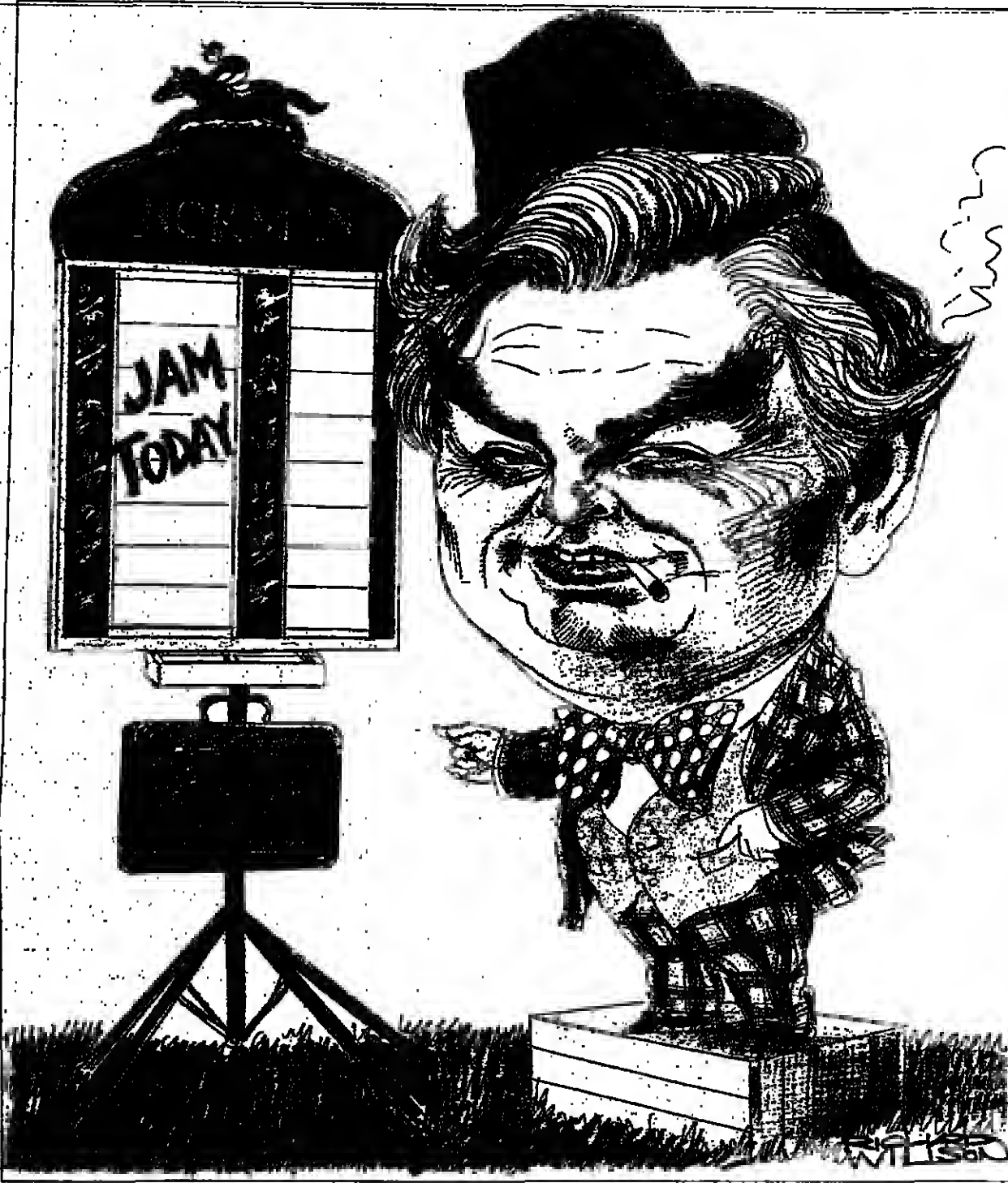
The inflation forecast remains unchanged from the Autumn Statement, with underlying inflation still predicted to be 3.75 per cent at the end of this year, at the top end of the government's target range. The City had been hoping for a "slightly lower inflation forecast, given sharp falls in labour costs."

The Chancellor went some way towards acknowledging persistent balance of payments problems, revising his forecast for the current account deficit this year to £17.5 billion from the £15.5 billion in the Autumn Statement.

There was some relief that Mr Lamont had been able to strike a balance between insulating the fragile recovery expected this year from tax increases and laying out a long-term strategy for tackling public finances. However, some felt that, by announcing swingeing tax increases in advance, the Chancellor was pursuing a high-risk strategy. John Shepperd, of Warburg Securities, said: "The risk is that, if growth doesn't materialise to the extent the government hopes, the economic recovery will suddenly be knocked on the head when the tax increases bite."

Roger Bootle, chief economist of Midland Bank, said: "The Chancellor is running scared of the consumer and will not get the positive reaction from the financial markets that he needed to bolster confidence."

Simon Jenkins and Peter Riddell, page 22  
Leading article, page 23  
Business, page 27



## Home loan relief will be trimmed

By LINDSAY COOK  
MONEY EDITOR

MORTGAGE tax relief will fall to 20 per cent from 25 per cent, a change that will cost homeowners with loans of £30,000 or more up to £10 a month from April next year.

The stamp duty threshold will be doubled to £60,000 now to help new buyers. Purchasers of homes worth less than £60,000 will not pay the transaction tax of 1 per cent, saving them up to £600.

The government promised in its election manifesto last year to maintain mortgage tax relief. At 25 per cent, it was costing £2.2 billion a year. The move to 20 per cent saves over

£1 billion at current interest rates. Scrapping higher rate tax relief in 1991 saved £420 million a year.

Lenders had not sought any housing measures, feeling happy with base rates at 6 per cent and wishing not to draw attention to mortgage tax relief, lest it be scrapped altogether. A survey last week showed that Conservative MPs favoured abolition of the relief. About ten million households receive it through reduced mortgage payments.

At current interest rates, it is worth £600 a year on a £30,000 loan and will be worth £480 when relief is given at 20 per cent. Stamp duty is expected to

raise £1.5 billion in 1992-3, despite a seven-month moratorium on it for properties under £250,000, which ended in August. That moratorium was meant to boost the housing market. It did cause a rush to complete deals before the deadline, but was followed by sharp falls in prices. Lenders said the concession had distorted the market.

Apart from the concession period, the duty has stayed unchanged since 1984, when the threshold rose from £25,000 to £30,000. At the time, most first-time buyers paid no duty. Now, the average property price is about £60,000.

The duty is 1 per cent of a property's total price if it sells

for over £30,000. People who swap properties that are much more expensive can escape the duty if the difference in price between the properties is under £30,000.

Last week, Andrew Longhurst, chief executive of the Cheltenham & Gloucester Building Society, said that the tax relief was the equivalent of a 1 per cent discount for buyers with a £60,000 mortgage. He also argued that the Miras (Mortgage Tax Relief At Source) system prevented lenders from making special offers, such as a mortgage with no payments for the first three or six months. Tax relief is only given if the interest is expected to be paid.

Applying the same principle to this allowance would raise another £5 billion in taxes annually, if the Treasury felt so inclined. Putting all the Chancellor's hints together, one could easily come up with another tax increase of £10-£15 billion annually, simply by building on the precedents set yesterday.

The moral of yesterday's extraordinary tax demand was clear. The Chancellor must be forced to abandon the fiction that he can do nothing to promote a normal economic recovery with growth rates of 3.5 per cent plus — by cutting interest rates dramatically further and letting sterling slide. If Mr Lamont fails to do this, the taxpayer will pay bigger and bigger shake-downs, year after year.



MATTHEW PARRIS  
POLITICAL SKETCH

## Doleful Norman corners the market

In a performance of mind-boggling tediousness that reduced most of the House to stupefaction and rendered some MPs insensible, Norman Lamont yesterday wrote out a 20,000-word job advertisement for the post of Chancellor of the Exchequer (1993-6) designed to ensure that there could be only one applicant for the position: himself.

"WANTED: Tory tax-grabber. Senior minister to implement three years of shocking tax increases of a scope and intricacy calculated to drive MPs to despair."

"Applicants must combine a careful intelligence with an instinct for suicide. They must be prepared to defend and execute a harsh yet unexciting programme, already decided. The post offers little scope for glory, originality or personal initiative. Command of dry tax-detail essential. Massive paperwork required."

"Hours long, subject matter dull and no scope for originality. Willingness to disappoint a wide range of individuals and interest groups, treat a variety of promises, and conduct plausible responses to shivering pensioners is essential."

"Rewards will include being booed during three successive Budgets and blamed for every setback. Successful progress, however, will be credited to the applicant's predecessor. Hopes of further advancement must be shelved."

"Applications should be addressed in triplicate to the Chief Whip, enclosing a draft publisher's contract for political memoirs, and endorsed with the words 'Honesty I'm not joking'."

As the shadows lengthened yesterday afternoon, so did the speech. So did the Chancellor's reach into the future. It was far longer than recent Budgets. By

4pm we had reached 1994, by 4.30 we were framing the budget for 1995 and by 5pm we were finalising plans for 1996. Then 5.30 loomed. MPs prayed that extra time be replaced by a penalty shoot-out, before Lamont turned his attention to tax bands for the next millennium.

"Lord, make me virtuous, but not yet," St Augustine prayed. A similar thought has occurred to St Norman. He unveiled a fearsome catalogue of horrors to be implemented — one day — but it was so dull that he had lost the House long before he reached his destination. Perhaps he meant to.

Despairing of analysis, your sketchwriter fell to MP-watching. Opposite, in the "overflow" gallery above, sat Hugh Dykes (C. Harrow, E). As the Chancellor described the "94-95 wedge" Mr Dykes closed his eyes, the better to think.

As we reached the North Sea PRT regime, Dykes's head fell back against the oak panel, so intense was his concentration. The 20 per cent band for mortgage interest responses to shivering pensioners is essential. "Rewards will include being booed during three successive Budgets and blamed for every setback. Successful progress, however, will be credited to the applicant's predecessor. Hopes of further advancement must be shelved."

"Applications should be addressed in triplicate to the Chief Whip, enclosing a draft publisher's contract for political memoirs, and endorsed with the words 'Honesty I'm not joking'."

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## Taxpayers to dig Treasury out of its DIY hole

It was billed as a Budget for Jobs, a Budget for Recovery, and a Budget for Small Business. But there was a far more accurate description of yesterday's effort: a Budget to Pay for Norman Lamont's Mistakes. To make matters worse, the bill Mr Lamont proffered to Britain's taxpayers looked like just the beginning.

Yesterday's tax demand from the Chancellor was not, as he suggested, a matter of a mere £10.5 billion a year from 1995 onwards. To cover yesterday's tax demand, the Treasury wants a blank cheque to pay not only for the cost of the present recession, but also for the likelihood of further economic under-performance stretching as far ahead as the eye can see.

It was no coincidence that the most striking image in yesterday's speech was the "wedge" of rising taxes which Mr Lamont boasted of having invented. What Mr Lamont did not explain was the reason for the government's astonishing U-turn in favour of skyrocketing taxes. Nor did he apologise for offering the British public a tax demand roughly three times greater than

John Smith's before the last general election.

In fact, the most significant feature of yesterday's fiscal plan was not even mentioned in the Chancellor's speech. Far from providing a Budget to promote recovery, the Treasury is assuring Britain will never recover fully from the economic catastrophe produced by John Major and Mr Lamont.

In previous budget projections, the Treasury had always assumed the economy would eventually enjoy a period of relatively rapid economic growth as industry took advantage of spare capacity and unemployment was reduced. But yesterday this happy assumption was abandoned. Mr Lamont is assuming that the economy will never grow by more than 2.75 per cent a year in the foreseeable future. Last year, even when the economy was still in the depth of recession, the medium-term assumptions always contained several years of 3.5 per cent growth.

The difference between 2.75 per cent and 3.5 per cent growth is enormous, for taxpayers, businesses and the unemployed. Obviously

this is true for the unemployed, who will only find jobs if the economy enjoys several years of above-trend growth. Yesterday's economic plans, if fulfilled, would permanently consign them to the social scrap heap. Equally remarkable is the impact of lower growth on the public finances — and hence on the tax burden that every working Briton will have to bear.

After casually raising his estimate of next year's public sector borrowing requirement to an unprecedented £50 billion, the Chancellor simply declared that the British taxpayer would pay without limit, to dig the Treasury out of its DIY hole.

Anybody who thought the tax increases of £10.5 billion annually proposed from 1995 onwards would be the end of Mr Lamont's exactions, only had look at the long-term projections in the Budget red book to be disabused of this naive hope. Even after all the new taxes,

the Treasury expects to be nowhere near its objective of "bringing the budget back towards balance" by 1997.

In fact, if the Treasury's assumptions are right, the PSBR would still be £34 billion or 4.5 per cent of GDP by 1996-7, the last year of the present parliament, and the government would be required to announce further tax increases worth £11 billion in today's money to stay within the deficit limits laid down in the Maastricht Treaty that John Major so fervently wants Britain to sign.

But, it did not require any complex analysis of treaties or economics to realise that Mr Lamont had even bigger tax increases in mind. His statement that VAT in Britain was well below the level in most of Europe, was no casual aside. It was supposed to be a clear hint to the financial speculators whom the Treasury used to dread but now seems almost to worship, that many more billions would be available from taxpayers' pockets whenever the markets demanded another shake-down. Ditto for the 1 per cent increase in

national insurance contributions, which left the Treasury in the "anomalous" position having to "subsidise" the totally mythical national insurance fund. Similarly, the reductions in mortgage tax relief and married allowances to 20p in the pound were a clear precursor to similar treatment for the much more important personal allowance.

Applying the same principle to this allowance would raise another £5 billion in taxes annually, if the Treasury felt so inclined. Putting all the Chancellor's hints together, one could easily come up with another tax increase of £10-£15 billion annually, simply by building on the precedents set yesterday.



# Taxes to save energy raise cheers and suspicion

By MICHAEL HORNSBY  
AGRICULTURE CORRESPONDENT

## ECOLOGY

THE Chancellor's package of energy-saving taxes was greeted with two cheers by green pressure groups. A third cheer was withheld because of suspicion that Norman Lamont was more interested in raising revenue than in protecting the environment.

For the first time domestic fuel and power is to be liable for VAT. From April next year these items will be taxed at 8 per cent and from April 1995 at 17.5 per cent. Mr Lamont said that would raise £950 million in 1994-5, £2.3 billion in 1995-6 and £3 billion a year thereafter.

He said the new taxes would "encourage people to consume less and conserve more" and take Britain two thirds of the way to meeting its target of stabilising carbon dioxide emissions at 1990 levels by the year 2000, a commitment accepted at the Earth Summit in Brazil last June.

Mr Lamont increased the price of unleaded and four-star petrol immediately by 12p and 15p a gallon respectively and vehicle excise duty goes up by £15 to £125. The government aimed to increase road fuel prices in real terms by 3 per cent a year in recognition of the big contribution made by transport to carbon dioxide build-up in the atmosphere.

Fiona Weir, air pollution campaigner of Friends of the Earth, said: "The increases in road fuel prices and domestic fuel and power should encourage more efficient use of energy and the purchase of

more fuel-efficient cars." Friends of the Earth said the government needed to spend more on public transport as an alternative to the private car and to offer householders incentives to invest in insulation and other energy-saving measures.

Andrew Warren, director of the Association for the Conservation of Energy, said: "Mr Lamont would have sent a stronger signal if he had also reduced the VAT rate levied on investment in energy-saving in the home."

"It is unclear how Mr Lamont imagines the rest of our Rio target will be achieved. We estimate that his tax measures might reduce carbon dioxide emissions by about 2 million tonnes a year, whereas we need to reduce by 10 million tonnes."

The Consumers' Association was worried that the rise in the cost of domestic fuel would hit less well-off householders who would not be poor enough to benefit from the changes in social security benefits promised by the Chancellor to offset the VAT charge.

Simon Dyer, the director general of the Automobile Association, said: "We would have preferred to see fuel prices rise further rather than an increase in vehicle excise duty. The Chancellor should also have increased the differential between leaded and unleaded petrol further if he was really interested in improving the environment."

## VAT on home fuel bills to boost energy saving

By OUR INDUSTRIAL CORRESPONDENT

THE imposition of value-added tax on domestic fuel and electricity will reduce pressure for cost savings in and give a powerful stimulus to energy efficiency measures.

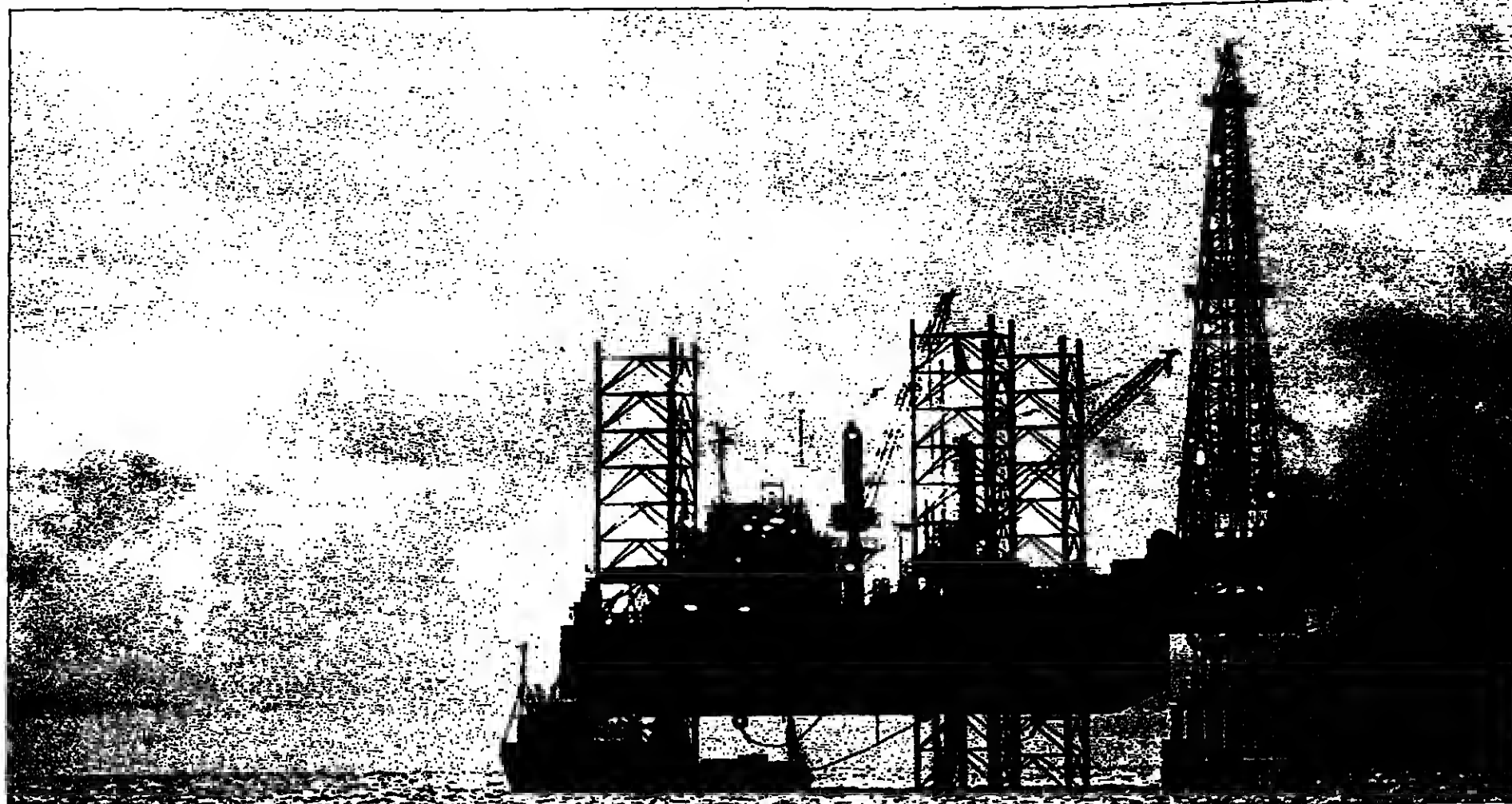
Customers will have to pay VAT on fuel at 8 per cent from April next year, rising to the full 17.5 per cent rate from April 1995. Unless householders make efficiency savings, the measure will ultimately raise £1.17 billion from British Gas's 18 million customers and add £74 a year to the annual £426 gas bill of a three bedroom semi-detached house in London.

East Midlands Electricity said a typical household pay-

ing about £300 a year for electricity would see its bill rise by £24 a year from April 1994. From April 1995, the bill would rise by £52.50 a year because of the additional tax.

The increases follow on lower energy prices. After intense pressure from Sir James McKinnon, the regulator, British gas cut household gas prices last year by 5 per cent, bringing the real fall in gas prices since privatisation in 1986 to 20 per cent.

In the electricity industry, customers are just beginning to reap the first benefits of falling coal prices and efficiency measures introduced since privatisation.



On the frontier: North Sea exploration for oil and gas might be undermined by changes to the tax regime that oil companies say will quadruple costs

## Two-stage cut trims ACT by 5%

AFTER years of lobbying, British multinationals have won their fight for reform of the rules governing advance corporation tax (ACT). Mr Lamont announced a two-stage cut in the rate and proposals which will reduce the build-up of surplus ACT, which arises when a company's UK mainstream corporation tax bill is insufficient to offset ACT payments, which are a tax on dividends.

The Chancellor said that the rate of ACT will be cut from 25 per cent to 22.5 per cent in 1993-94 and then to 20 per cent in 1994-95. This would give companies a cash flow benefit of about £2 billion over

## Abolition of North Sea levy raises extra cash

By ROSS TILMAN  
INDUSTRIAL CORRESPONDENT

### OIL AND GAS

NORMAN Lamont must have thought he had found the holy grail when he discovered he could abolish a tax and simultaneously increase revenue.

However, his decision to end the 75 per cent Petroleum Revenue Tax (PRT) has already provoked deep concern among oil and gas companies in the North Sea. They said last night that exploration companies may hand back many of the 14th round exploration licences scheduled to be awarded after a recent competition, because the industry would no longer find it economical to seek out and

develop further North Sea reserves.

The irony of PRT is that because of a generous regime of reliefs it had become a drain on the Treasury rather than a source of cash. At its peak, in 1987-8, the industry paid the Treasury £2.3 billion in PRT. Last year, the Treasury was obliged to contribute a net £200 million to the oil companies.

PRT was introduced in 1975 to cream off some of the profits engendered by large, economical oilfields and high oil prices. However, weak oil prices since the mid 1980s have combined with the rising

cost of finding and exploiting the smaller pockets of oil and gas, often located in deeper water, which remain to be tapped. The industry has also been obliged to rebuild some production platforms after the Piper Alpha disaster. Those costs were reclaimed from the Treasury through a system of reliefs covering 300 pages.

In a wide package of reforms, Mr Lamont will cut the PRT rate on existing fields from 75 per cent to 50 per cent. New fields will escape PRT entirely. Exploration and appraisal contracts written, but not implemented, will continue to attract PRT relief for two years.

Instead, the North Sea oil industry will face the standard

33 per cent corporation tax regime applied to industry. Mr Lamont said Britain would have "a competitive tax regime which strikes a reasonable balance between the interests of the industry and those of the nation".

The United Kingdom Offshore Operators' Association said: "It is certainly not fiscally neutral in the current year. This will quadruple the costs of exploration activity and it will discourage people who are applying for new licences. Opportunities outside the United Kingdom will probably look more attractive."

□ Pledge welcomed: Greenpeace praised the increase in road fuel prices, but criticised the Chancellor for not doing

more to discourage the use of company cars (Michael Hornsby writes). The group said it was disappointed that Mr Lamont had not backed proposals for a European Community-wide carbon-energy tax, which would penalise fuels with a high carbon content.

Mr Lamont told MPs: "Tax policy should continue to be decided here in the Commons — not in Brussels." Another reason for rejecting such a measure, left unsaid, is the U-turn on coal-pit closures. Burning coal in power stations to generate electricity emits twice as much carbon dioxide as using gas. A carbon tax would thus further reduce the economic viability of coal.

## Deficit forecast rises to £50bn

By COLIN NARBROUGH

THE medium term financial strategy (MTFS), introduced in 1980 under the chancellorship of Geoffrey Howe, had a more realistic appearance in this year's Budget, but its projections for the public sector borrowing requirement (PSBR) give cause for concern.

Norman Lamont, who only a year ago was sharing an MTF path that would climb to a peak of £32 billion in 1993-4, yesterday came into line with City forecasters who have long considered £50 billion a more likely outcome. At this level, the deficit would represent an alarming 8 per cent of the gross domestic product (GDP) in money terms.

An even more worrying feature in the new MTFS is the Treasury's expectation that the PSBR will hold at much higher levels for the medium term. Instead of the fall steadily from its peak to £6 billion, or 0.75 per cent of GDP, in 1996-7, it is now forecast to come down to only £35 billion, or 4.5 per cent of GDP that year. In spite of the increased taxes announced by the Chancellor, the MTFS shows the PSBR still at £30 billion, or 3.75 per cent of GDP, in 1997-8. The next general election must be held by April 1997.

Failure of the economic

### HOW GOVERNMENT MONEY IS RAISED

Planned revenue 1993-94

Total: £229.2bn

Income and corporation tax £72.1bn

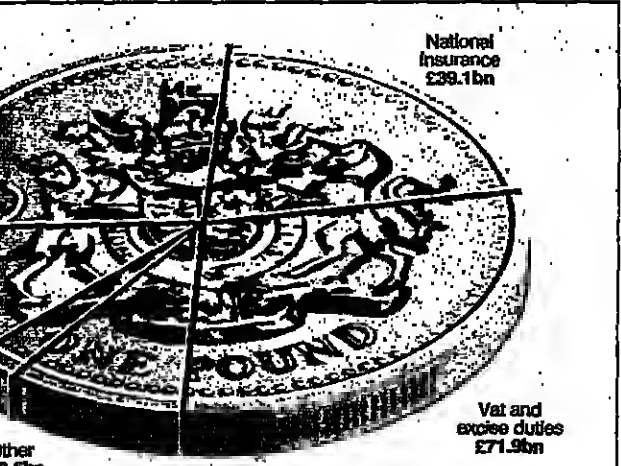
Council Tax and Business Rates £21.5bn

Capital Taxes £4.0bn

Other £19.5bn

Vat and excise duties £71.9bn

National Insurance £29.1bn



## New deal on insurers' reserves

LLOYD'S names and insurance companies have welcomed proposed changes to tax treatment of reserves set aside to meet future losses.

Mr Lamont acknowledged imbalance between the UK and other countries on treatment of reserves held by insurance companies and said that there may be a case for allowing tax relief on certain types of company equalisation reserves for occasional and exceptional losses. A consultative document is to be issued this spring.

Lloyd's names are to benefit from the setting up of a tax deductible reserve, which will allow profits to be put aside, tax-free, to meet future losses.

The reserve, which will be effective for any profits from the 1992 year of account, replaces the limited special reserve, into which annual payments have been restricted to £7,000. The new reserve's upper limit on payments is 50 per cent of a year's profits, if the maximum value of the reserve does not exceed 50 per cent of the name's overall premium limit.

## Export cover premiums cut

Mr Lamont's decision to give British exporters more support with increased credit insurance cover, and lower premiums, is a response to claims that government policy has been penalising British firms.

Mr Lamont said that ministers had reviewed services of the Export Credits Guarantee Department (ECGD). After reducing ECGD premiums on average by 20 per cent last year, the government has decided to make a further average reduction of 7.5 per cent.

## UBR tamed

Businesses have again escaped the full effect of the Uniform Business Rate, thanks to Mr Lamont's decision to freeze the rate of increase in real terms. Business space occupiers will only suffer a rates rise at the level of inflation, 3.6 per cent. Some, particularly in the North, may have reduced bills.

## Payment delay

Small businesses welcomed proposals to defer payment of capital gains tax for entrepreneurs who take their money out of one private company and reinvest it in another.

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## Loan guarantee scheme improved

By PATRICIA TEHAN  
BANKING CORRESPONDENT

BANKS and small businesses were delighted with measures announced yesterday that will improve lending facilities for more risky start-up companies.

The Chancellor announced improvements to the government's loan guarantee scheme, which guarantees bank loans to small entrepreneurial firms that might otherwise fail to convince banks of their creditworthiness.

Mr Lamont has made loans under the scheme cheaper, particularly fixed-rate loans, and he has increased the limit on the size of loan available.

In the next month or so, he said, the scheme will change so that instead of the 1.75 per cent premium payable by small firms to the government through their banks on the total value of outstanding loans made under the scheme, premiums for guarantees on fixed-rate lending would fall to half a percentage point and premiums on variable-rate loans would reduce to 1.25 per cent.

Small businesses welcomed the third of the Chancellor's deregulation proposals to cut out tape, and which could lead to the abolition of the statutory audit (Colin Campbell writes).

The statutory audit for small, private firms, which can cost at least £1,000, has been a controversial subject within the accountancy profession, some of whose members support its abolition. William Poeton, deputy chairman of the Small Business Bureau, representing 250,000 individuals, and also president of the Union of Independent Companies, said the annual audit was an uneven cost burden on small firms and that there had been lobbying for its reform for at least five years.

"At last, the government appears to have accepted the validity of the argument," he

said. The Department of Trade and Industry will shortly issue a consultative document setting out the options for reducing the burden of an annual audit.

Inland Revenue and other users should have the assurance that accounts have been drawn up properly, Norman Lamont said, but he conceded that present requirements imposed a disproportionate cost on small businesses.

## Controversial audit may be abolished

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Petrol increased  
cost firm...  
year... say ha



# Petrol increase will cost firms £600m a year, say hauliers

By Kevin Eason, Motoring Correspondent

MOTING organisations and road haulage companies warned industry last night that costs will jump by more than £600 million a year because of the increased price of petrol.

The Chancellor said yesterday's announcement of a 10 per cent increase in fuel duties was just the start of a government campaign to cut pollution by forcing the motorist to pay more.

The cost of a gallon of unleaded petrol goes up by 12p to an average 230.7p (50.75p a litre), while four-star increases by 15p to 253.2p (55.7p a litre). Diesel will go up by about 12.6p a gallon to an industry average of 227.5p (50p a litre). The road fund licence for cars rises by £15 to £125 a year.

The fuel hikes widen the differential between leaded and four-star petrol and unleaded.

Mr Lamont made it clear that the increases are immediately designed to try to recoup £750 million lost to the Treasury last year because of the abolition of the 10 per cent special car tax. The net gain to the Treasury from the fuel and tax increases will be about £400 million, he said.

He also outlined plans to increase the cost of motoring by 3 per cent a year in future to help curb urban pollution in the most radical action yet

taken by the government to fight the threat of global warming.

Motoring organisations are sceptical that the measures will limit vehicle use and say the only short-term effect will be to raise costs substantially.

Lex Vehicle Leasing said the tax increases would cost firms about £400 million extra annually for company car users. The Freight Transport Association said haulage costs would increase by about £230 million.

The Royal Automobile Club said: "It seems to us that Mr Lamont has taken the soft option once again, and used the captive audience of motorists as the easiest way of raising revenue."

Neil Marshall, chief economist for the Retail Motor Industry Federation, said: "This could be a worrying trend. To commit the government to increases in motoring costs of 3 per cent a year is the promise of a big burden to come. We recognise what Mr Lamont is trying to do but this is an economy driven by the car. The motor industry is the biggest manufacturing sector and we are surprised there was no consultation with the industry about this move."

Although the industry was braced for a series of increases, the scale of rises — well above inflation — on fuel and com-

pany car scale charges angered motoring organisations. Simon Dyer, chief executive of the Automobile Association, said: "With one hand, the Chancellor has taken more from the motorist in excise duty than he needs to replace new car tax, with the other he has made all motorists subsidise the buying of new cars and done little to benefit the environment or industry."

According to the Road Haulage Federation, British haulage companies are already paying some of the highest costs in Europe.

Sydney Baggum, the RHF's spokesman, said: "The new fuel costs will mean an overall rise of 1.6 per cent in haulage costs. This will be passed on to customers because the margins in the haulage business are very low. There has been a lot of talk of a level playing field for haulage firms but that is still not the case. Britain is lagging behind the rest of Europe."

The Society of Motor Manufacturers and Traders also criticised the Chancellor. Sir Hal Miller, its chief executive, said: "We support the principle that use rather than ownership of the vehicle should be taxed but we believe the measures announced go beyond the amount necessary to recover the special car tax abolition."



Staying the distance: a television relaying Norman Lamont's Budget speech to racegoers at the Cheltenham festival yesterday

## Lloyd Webber helped racing win VAT change

By Richard Evans, Racing Correspondent

SIR Andrew Lloyd Webber played an important role in persuading the government to help horse racing's value added tax difficulties, it emerged last night.

The composer, who has horses in training and a growing interest in

breeding, commissioned a report from Coopers & Lybrand which highlighted the disadvantages faced by British racing, with its 17.5 per cent VAT rate on bloodstock compared to 2.7 per cent in Ireland and 5.5 per cent in France. Sir Andrew handed a copy of the findings to the prime minister and the Chancellor of the Exchequer.

Yesterday Norman Lamont decided that racehorse owners should be allowed to register for VAT. The tax change will be worth up to £30 million. Owners will be able to reclaim VAT on all racing expenditure, including the purchase of horses, and training fees. They will have to sign a form saying that they are looking for sponsorship for their horses.

The Marquess of Harrington, senior steward of the Jockey Club, welcomed the decision last night, saying: "I believe this is a tremendous boost of confidence for racing and the breeding industry and something of which we should be very proud. It is exactly the sort of vital encouragement owners needed at this very difficult time."

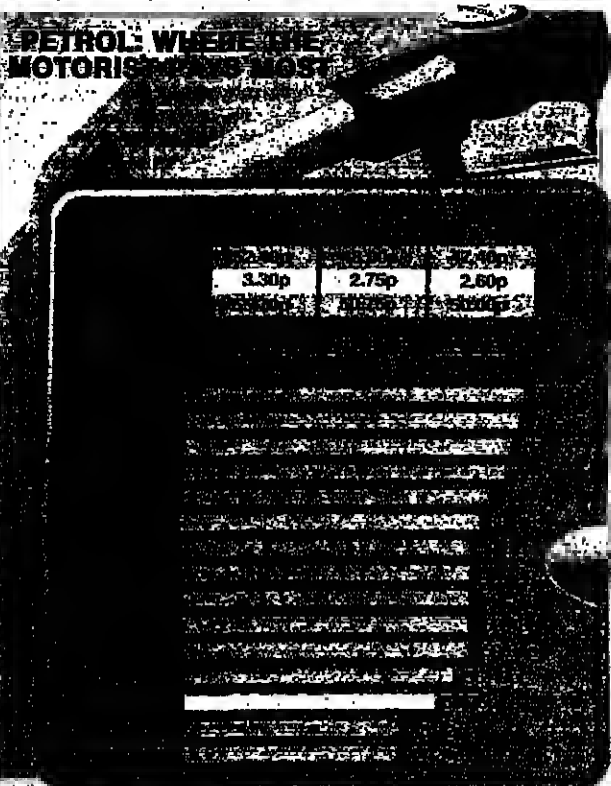
Racing, pages 49, 52

## Luxury cars worst hit by tax change

EXECUTIVES who drive luxury cars provided as a perk will be hardest hit by a radical revision of the way company car taxes are calculated (Kevin Eason writes).

The Chancellor is scrapping the current system of calculating the benefit to an employee of a company car against the size of the car against the price of the car from the 1994-5 tax year. As many as 700,000 of Britain's four million company car drivers face tax bill increases of up to 40 per cent.

Lease Plan UK Ltd said that a typical company chairman with a company-owned Jaguar XJ12 worth £46,000 would see his tax bill jump from £5,580 in 1992-3 to £6,440 in 1994-5. However, the sales representative using a family-sized saloon could save about £100 a year.



## Only spirits escape rises for tobacco and alcohol

By Derek Harris

TOBACCO manufacturers complained that yet again British smokers were being hit by tax increases greater than inflation.

But their concern about sales declines and the effect on jobs was eased by the news that the tax increase on cigarettes fell short of the 15p or more suggested in some pre-Budget speculation.

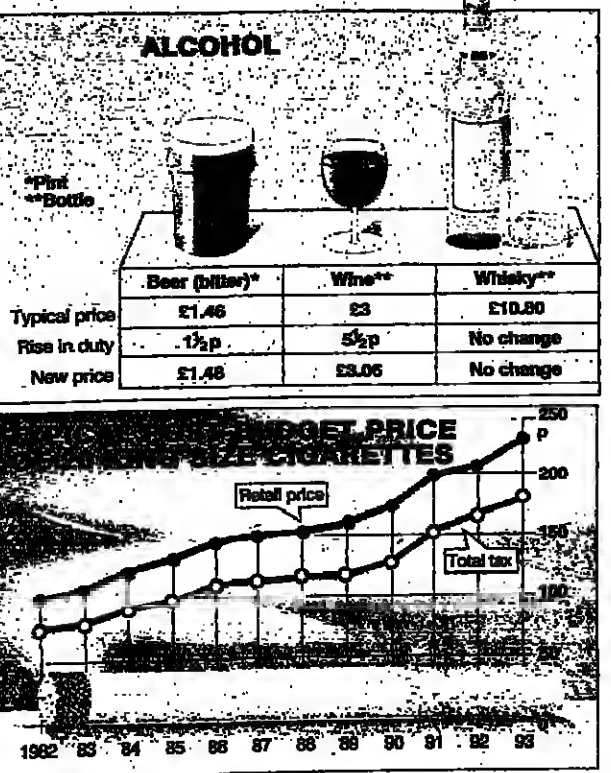
A fresh surge in cross-border shopping as Britons stock up on cheaper alcoholic drinks abroad was predicted after the Chancellor raised taxes on beer and wine. There were smiles in Scotland, however, when duty on the more heavily taxed whisky and other spirits was not changed.

Norman Lamont added 12p to a packet of 20 cigarettes, giving them a recommended retail price of £2.37. The rise was almost three times the rate of inflation. The tax on a pack of five small cigars, previously sold at about £1.76, increases by 4.5p. A 25 gram pack of pipe tobacco will now sell at about £2.

The industry had also relied heavily on the impact of the European single market, allowing smokers to bring in large numbers of cheap cigarettes from other EC countries, in arguing for the Chancellor not to increase tobacco taxes. A pack of Benson and Hedges king-size costs £1.79 in France and in Spain is £1.51.

The Tobacco Advisory Council, trade body for the manufacturers, warned: "This tax hike will only encourage people to buy in Spain and France, where taxes and therefore prices are much lower. The incentives for smokers, and more worryingly, tobacco smugglers, could hardly be more obvious."

The Treasury predicted that



the advent of the single market was likely to result in a UK revenue loss from tobacco and alcohol of £250 million during 1993.

Mr Lamont's increase of 1.5p a pint for beer and 5.5p on a bottle of table wine is expected to be at least rounded up by the trade. There could also be more price rises on the way as manufacturers and retail chains start counting the cost of tax rises on fuel.

Raising drink prices in line with inflation would have added about 1p on a pint of beer of average strength and 3p on a 75 centilitre bottle of table wine.

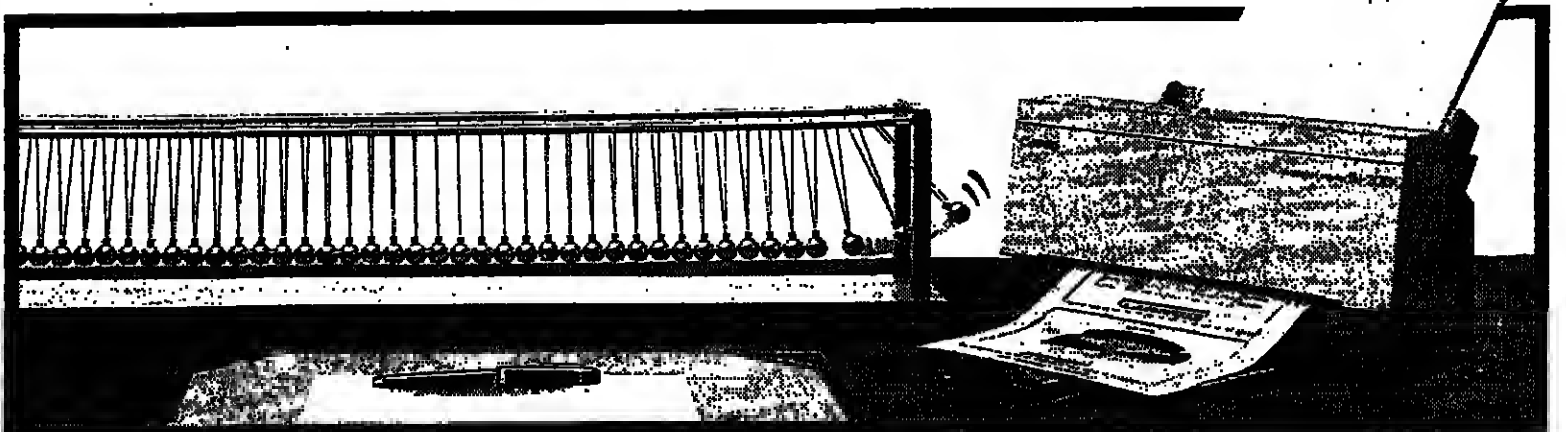
Brewers are alarmed at the growth of cross-border shopping for beer, especially in France. British drinkers have been paying 35p a pint more

in taxes than their French counterparts, which reduces to 32p a pint as the French implement minimum EC rates of duty.

Robin Simpson, director of the Brewers' Society, said: "This increase takes no account of the real world. It will have serious consequences for UK business and jobs. French retailers will be laughing all the way to the bank. It is also a wide-boy's charter which will mean an increasing black market in beer."

James Brumner, chairman of the Scotch Whisky Association, said the freeze on spirit duty was "at last a move in the right direction. We look upon this as a first step towards the eventual removal of all excise duty differentials between the categories of alcoholic drinks."

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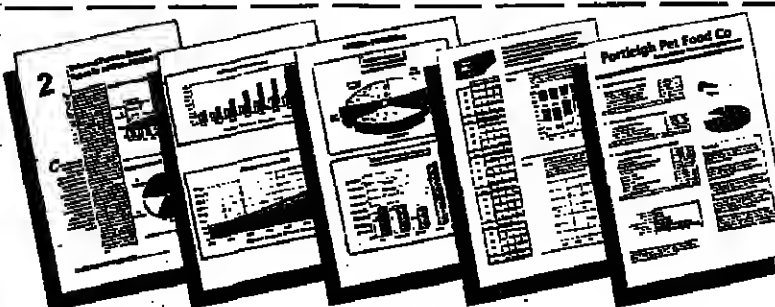
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# Married allowance will halve for higher-rate payers

By LINDSAY COOK, MONEY EDITOR

PERSONAL tax allowances have been frozen for this year and the 20p tax band widened by £500 to £2,500, giving a benefit of 50p a week to most taxpayers.

From April next year, the standard rate national insurance contributions will rise by one percentage point to 10 per cent for employees and 7.3 per cent for the self-employed.

The married couple's allowance will be limited to the 20p rate, cutting its value by half for higher rate taxpayers and by a fifth for basic rate taxpayers. It is currently worth £688 a year to higher rate taxpayers and £344 to those paying £20 per cent.

The married couple's allowance has not been increased for the third consecutive year. From April 6, it can be shared by couples or credited wholly

to the wife. Until then it is awarded automatically to the husband and the wife can use part or all of the allowance only if her husband has insufficient earnings to use up all his personal allowance.

When the allowance is restricted to the 20 per cent band, it will be increased by £200 for those over 65 to compensate. The restriction to the lower tax band will raise £1.2 billion a year.

Personal allowances should have been raised this year in line with the December inflation rate of 2.6 per cent, allowing taxpayers to earn at least an extra £90 a year before tax. However, the current inflation rate is 1.7 per cent

and expected to come down further on Friday.

The widening of the 20p tax band from the first £2,000 of taxable income means that 4.9 million people — an extra million — will pay at the lower rate only. The band was introduced last year as a first step towards a basic rate tax at 20p. It will be increased by a further £500 in April 1994.

This second extension of the 20p band will coincide with higher mortgage payments, as tax relief will be limited to 20p instead of 25p from April 1994. This will save more than £1 billion for the Exchequer.

The 20 per cent tax band is of greatest use to the low paid, as long as they earn enough to cover their personal allowance and the lower rate band.

In 1992-3, the first £2,000 of taxable income is paid at 20p, which was worth £100 a year. If the band had been indexed to inflation, it would have risen to only £2,100. Each £1,000 extra charged at the lower rate costs the Exchequer £900 million.

The threshold for higher rate tax was unaltered at £23,700 for the second consecutive year. The income limit for the age allowance remains at £14,200. Above this, the higher allowance is reduced by £1 for every £2 of income until it reaches the standard personal allowances of people under 65.

If personal allowances had been increased in line with inflation, the standard allowance would have risen to £3,535. The age allowance for 65- to 74-year-olds would have increased by £110 to £4,310 and for those over 75 would have risen £120 to £4,490. The married allowance for older people would have increased from £2,465 to £2,535 for 65- to 74-year-olds.

## Inheritance tax now outpaced by inflation

THE inheritance tax threshold, which remains unchanged at £150,000, needed to have been increased by £4,000 if it was to have kept pace with inflation. Last year it was increased by £10,000 (Lindsay Cook writes).

The time allowed for sale of a property after death, in which the price received can be substituted for the value when the owner died, has been extended from three to four years. This will help families who are unable to sell properties in the current market and have seen house values fall.

Leaving the threshold unchanged will yield an extra £10 million next year and

£25 million in 1994-5. The tax is expected to contribute £1.3 billion this year from 23,000 estates.

The decision not to change the threshold has halted progress on the policy of taking ordinary families out of this tax, which is charged at 40 per cent on estates above the threshold level. Last year most family businesses, including owner-occupied farms and farm tenancies, were taken out of inheritance tax.

Inheritance tax replaced capital transfer tax in 1986. It allowed people to make potentially exempt transfers which are free of the tax provided they live for seven years after making the gift.



Moving house: American and Japanese companies will face the biggest bills

## Relocation capping hits multinationals

By JON ASHWORTH

FOREIGN companies operating in Britain will be hit hardest by proposals to strip tax relief from the cost of moving house. The decision to cap relocation allowances at £8,000 will hit foreign multinationals, in particular American and Japanese firms, which may be taxed at 67 per cent on the excess if they assist their employees with the cost of relocating to the UK.

People moving to a more expensive location within the UK will no longer be eligible for tax-free living allowances from their employers. The Chancellor said companies often helped with the cost of moving house, even paying for removal costs and higher living costs if employees moved to a more expensive area.

Forty years ago, an extra-statutory concession deemed such relocation expenses tax deductible provided they were "reasonable and properly controlled". The provision was that the employee had to move house, but not necessarily sell it.

The system ran very smoothly until 1989, when the Inland Revenue reinterpreted what moving house

actually meant. It decided employees could not rent out their old homes but had to sell them to qualify, and this became the subject of a bitter dispute.

The Chancellor has dropped the requirement for the home to be sold, but a number of claims remain outstanding for the interim period. From April 6, the tax-deductible amount allowable on relocation expenses will be capped at £8,000. This level is adequate for moves within the UK but will hit

### REMOVALS

overseas firms relocating staff across vast distances to Britain.

The changes will raise about £200 million in both 1994-5 and 1995-6. Michael Kaitz, a partner of Ernst & Young, the accountants, said the measures would act as a disincentive to large foreign companies that create a great deal of inward investment in Britain.

John Battersby of KPMG Peat Marwick said the proposals would hit firms relocating highly-paid directors to Britain.

## Tax ploy will rile EC

ATTEMPTS to woo foreign firms to Britain with tax breaks and a package of incentives will increase the charges of "social dumping" levelled at the government by EC members (Tom Walker writes from Brussels).

Since Hoover, the electrical goods maker transferred jobs from Dijon, France, to Cambuslang, Strathclyde, the government has been accused of competitive devaluation. With the French election campaign in full swing, Mr Lamoot's move will fuel suspicion among French voters that their traditional rivals *outré Manche* are playing dirty on the suppos-

edly level playing field of the EC single market.

In reality, the charges are unfair. Most governments offer incentives to foreign firms to locate their headquarters in their countries. Belgium, for example, is noted for offering tax breaks to companies wanting to set up "distribution centres" there.

What most EC politicians in Europe is John Major's obvious plea that the weaker pound and lower costs of social benefits in Britain are proving attractive. However, Britain won an opt-out from the Maastricht treaty's social chapter and these politicians are crying over spilt milk.

### MARRIED COUPLE, BOTH EARNING, ONE CHILD

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
30,000 MORTGAGE										
GROSS ANNUAL INCOME	12,000	12,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	899	899	1,238	1,238	899	899	1,238	1,238	899	899
Taxable income	6,835	6,835	8,577	8,577	13,915	13,915	13,915	13,915	13,915	13,915
Tax thereon	1,584	1,014	1,609	1,039	2,334	1,514	2,334	1,514	2,334	1,514
NI contributions	876	516	883	523	1,146	695	1,153	695	1,153	695
Child benefit	520	520	520	520	520	520	520	520	520	520
NET INCOME	9,540	6,990	8,598	6,940	11,520	8,510	11,488	8,280	14,820	11,610
JOINT NET INCOME	19,080	13,980	17,196	13,880	23,040	17,020	22,976	16,560	29,640	23,220
(% tax reduction)	(-1.4)	(-1.4)	(-1.1)	(-1.1)	(-0.7)	(-0.7)	(-0.7)	(-0.7)	(-4.0)	(-4.0)

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
60,000 MORTGAGE										
GROSS ANNUAL INCOME	40,000	40,000	40,000	40,000	60,000	60,000	60,000	60,000	60,000	60,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	2,087	2,087	2,888	2,888	2,087	2,087	2,888	2,888	2,087	2,087
Taxable income	34,835	34,835	34,835	34,835	54,835	54,835	54,835	54,835	54,835	54,835
Tax thereon	10,254	4,014	10,279	4,039	16,254	10,942	16,279	10,967	34,279	26,967
NI contributions	1,762	1,099	1,762	1,099	1,762	1,099	1,762	1,099	1,762	1,099
Child benefit	520	520	520	520	520	520	520	520	520	520
NET INCOME	27,984	14,910	28,022	14,860	38,984	27,816	38,984	27,816	61,984	51,816
JOINT NET INCOME	55,968	29,820	56,044	29,720	77,968	55,632	77,968	55,632	123,968	103,632
(% tax reduction)	(-4.0)	(-4.0)	(-4.0)	(-4.0)	(-1.1)	(-1.1)	(-1.1)	(-1.1)	(-4.1)	(-4.1)

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
MARRIED COUPLE, NON-WORKING SPOUSE, TWO CHILDREN										
30,000 MORTGAGE										
GROSS ANNUAL INCOME	15,000	15,000	20,000	20,000	25,000	25,000	25,000	25,000	25,000	25,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	1,798	1,798	2,475	2,475	1,798	1,798	2,475	2,475	1,798	1,798
Taxable income	8,835	8,835	11,835	11,835	18,835	18,835	18,835	18,835	18,835	18,835
Tax thereon	2,334	2,334	3,584	3,584	6,254	4,889	6,254	4,889	12,254	9,942
NI contributions	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
Child benefit	942	942	942	942	942	942	942	942	942	942
NET INCOME	12,462	12,396	15,782	15,686	19,346	19,350	22,822	22,830	25,826	25,590
JOINT NET INCOME	24,924	24,792	31,564	31,372	38,692	38,700	45,644	45,660	51,652	51,180
(% tax reduction)	(-0.9)	(-0.9)	(-0.6)	(-0.6)	(-0.5)	(-0.5)	(-0.4)	(-0.4)	(-0.3)	(-0.3)

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
MARRIED COUPLE, 65-74										
NO MORTGAGE										
GROSS ANNUAL INCOME	10,000	10,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
- Personal allowance	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Taxable income	5,800	5,800	10,800	10,800	15,800	15,800	15,800	15,800	15,800	15,800
Tax thereon	1,325	1,350	2,675	2,700	4,095	4,014	4,095	4,014	4,095	4,014
NET INCOME	9,675	8,650	12,325	12,300	15,905	15,986	15,905	15,986	15,905	15,986
JOINT NET INCOME	19,350	17,300	24,650	24,600	31,810	31,972	31,810	31,972	31,810	31,972
(% tax reduction)	(-1.8)	(-1.8)	(-0.5)	(-0.5)	(-0.2)	(-0.2)	(-0.2)	(-0.2)	(-0.2)	(-0.2)

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
MARRIED COUPLE, OVER 75										
NO MORTGAGE										
GROSS ANNUAL INCOME	10,000	10,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
- Personal allowance	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Taxable income	5,800	5,800	10,800	10,800	15,800	15,800	15,800	15,800	15,800	15,800
Tax thereon	1,325	1,350	2,675	2,700	4,095	4,014	4,095	4,014	4,095	4,014
NET INCOME	9,675	8,650	12,325	12,300	15,905	15,986	15,905	15,986	15,905	15,986
JOINT NET INCOME	19,350	17,300	24,650	24,600	31,810	31,972	31,810	31,972	31,810	31,972
(% tax reduction)	(-1.8)	(-1.8)	(-0.5)	(-0.5)	(-0.2)	(-0.2)	(-0.2)	(-0.2)	(-0.2)	(-0.2)

	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93
SINGLE PERSON, NO CHILDREN										
30,000 MORTGAGE										
GROSS ANNUAL INCOME	10,000	10,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	1,798	1,798	2,475	2,475	1,798	1,798	2,475	2,475	1,798	1,798
Taxable income	6,835	6,835	8,577	8,577	13,915	13,915	13,915	13,915	13,915	13,915
Tax thereon	1,584	1,014	1,609	1,039	2,334	1,514	2,334	1,514	2,334	1,514
NI contributions	876	516	883	523	1,146	695	1,153	695	1,153	695
Child benefit	520	520	520	520	520	520	520	520	520	520
NET INCOME	7,790	7,790	11,090	11,090	14,390	14,390	14,390	14,390	14,390	14,390
JOINT NET INCOME	15,580	15,580	22,180	22,180	28,780	28,780	28,780	28,780	28,780	28,780
(% tax reduction)	(-1.4)	(-1.4)	(-0.5)	(-0.5)	(-0.7)	(-0.7)	(-0.7)	(-0.7)	(-0.7)	(-0.7)

SINGLE PERSON, TWO CHILDREN						
30,000 MORTGAGE	1993/4	1992/3	1993/4	1992/3	1993/4	1992/3
GROSS ANNUAL INCOME	12,000	12,000	15,000	15,000	20,000	20,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	1,798	2,475	1,798	2,475	1,798	2,475
Taxable income	8,835	8,835	9,835	9,835	14,825	14,835
Tax thereon	1,884	1,939	2,334	2,369	3,584	3,609
NI contributions	876	893	1,146	1,153	1,386	1,393
Child benefit	942	906	942	906	942	906
NET INCOME (% tax reduction)	10,462 (1.30)	10,416	12,462 (0.97)	12,396	15,762 (0.67)	15,616
50,000 MORTGAGE	1993/4	1992/3	1993/4	1992/3	1993/4	1992/3
GROSS ANNUAL INCOME	30,000	30,000	45,000	45,000	60,000	60,000
- Personal allowance	5,185	5,185	5,185	5,185	5,185	5,185
- Net mortgage interest	14,835	17,775	14,835	17,775	14,835	17,775
Taxable income	25,865	24,835	30,835	30,835	54,835	54,835
Tax thereon	6,254	6,279	12,254	12,279	16,254	16,279
NI contributions	1,762	1,698	1,762	1,698	1,762	1,698
Child benefit	942	906	942	906	942	906
NET INCOME (% tax reduction)	22,926 (24.08)	22,990	31,926 (31.10)	31,990	40,926 (33.19)	40,990







## The Chancellor's Budget speech

## 'The health objective is to tax the harm cigarettes do'

Continued from page 15

particular the taxation on whisky. This is one of Britain's most successful exporting industries. I promised in my Budget speech last year to resist proposals from Brussels to introduce tax rules which would hit whisky sales in European markets. But having succeeded there, it is important that our own tax regime does not further disadvantage this industry. I have therefore decided to make no change in the duty on spirits this year.

Next, tobacco. Last July, the secretary of state for health published a white paper containing our commitment to maintain the real value of the taxation on tobacco products. But again I have also had to take into account the impact of the single market. I propose therefore to increase the overall burden of duty by 6.5 per cent, 4 per cent above the rate of inflation. This will add 10p to a typical pack of 20 cigarettes — and 4½p to a pack of five small cigars.

But I also propose to make this increase in a different way from usual. As the House will recall, cigarettes are subject to two different excise duties: a "specific" duty, which is a flat-rate charge per cigarette, and an "ad valorem" duty, on their price. Given that the health objective is to tax the harm cigarettes do, it is better to tax the cigarettes themselves rather than their price. I therefore propose to increase the specific duty on cigarettes by 10 per cent, while cutting the ad valorem duty from 21 per cent to 20 per cent. This will mean a proportionately bigger tax increase for cheap cigarettes many of which are imported.

I also propose to increase the duty on most gaming machines by 20 per cent. Taken together, these changes will raise £290 million in 1993-4 and £365 million in 1994-5.

I turn now to motoring taxes. When I abolished car tax in my Autumn Statement, I said that I would recoup the cost from other motoring taxes. I therefore propose to raise all fuel duties by 10 per cent from 6pm today putting 12p on a gallon of unleaded petrol and 15p on a gallon of diesel. From midnight tonight, vehicle excise duty for cars — the tax disc — will also rise, by £15 to £125.

Taken together with the abolition of car tax these measures will raise a net £400 million in 1993-4. The overall impact will be to shift the tax burden from car buyers to car users, and to help both the environment and the industry. Together with the increases I have announced on alcohol and tobacco duties, it will add 0.25 percentage point to the RPI in April, compared with inflation.

## Fuel scales

Alongside the increase in fuel duties, I propose to increase by 20 per cent the scale charges for free fuel supplied to company car drivers for private use. I also propose to abolish the 50 per cent discount currently available to drivers doing more than 18,000 business miles in a year.

Employees can avoid this tax altogether by paying for the full cost of all fuel provided for private journeys themselves. The environmental impact of my proposals on fuel duties will be strengthened by reducing the number of motorists who use fuel at no direct cost to themselves. This measure will raise £65 million in the year ahead and £70 million in 1994-5.

## Company cars

From its introduction in 1976 until 1988, the income tax charge on company cars significantly underestimated

their true value. Since then charges have been steadily raised to more appropriate levels. I propose this year to complete that process by bringing the car scales up to a level which fully reflects the true value of the benefit of a company car. This requires an increase in the car scales of 8 per cent, bringing additional revenue of £100 million in 1993-4.

But the structure of the current regime remains unsatisfactory. In most cases the value put on the benefit, and the tax that is payable, are determined not by the price of the car, but by the size of its engine. This might have mattered less when scale charges were very low, but it now gives rise to serious distortions.

I propose from 1994-5 to replace the current car scales with a simple system based on the price of the car. The annual benefit of a company car will be valued for income tax purposes at a fixed percentage of the manufacturer's list price. To make the reform revenue neutral, I propose to set their percentage at 35 per cent. Company car users will then pay income tax at their marginal rate on that amount.

However, I do not believe that it would be right to apply the full rigour of the charge to those who use the company car largely for business purposes. I therefore propose that there should be a discount of one third for those company car users who drive more than 2,500 miles a year on business, and a discount of two thirds for those who do more than 18,000 business miles.

In future, the tax on company cars will rise or fall automatically with the price of these cars. It follows that there will no longer be any need to set the tax charge each year in the Budget.

My reform will reduce tax distortions in the car market and enable manufacturers and fleet managers to plan production and purchasing in a more rational and stable system.

I also propose to replace the existing complex arrangements for taxing employees' private use of company vans

with a simple scale charge, covering both the van and any fuel provided, set at the modest level of £500. This will raise £10 million in the year ahead and £35 million in 1994-5.

## Tax avoidance

I intend to close a number of loopholes which have been exploited to avoid tax. From midnight last night I propose to exclude from the Business Expansion Scheme all schemes which involve the provision of loans to BES investors. The BES was set up to encourage investment in small businesses — not to provide highly subsidised loans for top rate taxpayers.

I intend to end the practice whereby group companies buy up other companies with their capital losses simply to set those losses against their own capital gains. I intend to restrict the situations in which changes in company owner-

ship can create scope to avoid advance corporation tax. Finally, I propose to tighten the rules for foreign companies under UK control.

These and other measures... should raise some £70 million in 1993-4, rising to over £460 million in the following year.

## Taurus

Following the decision by the Stock Exchange last week to abandon Taurus, stamp duty will remain in place at least for 1993-4, raising £1 billion during the coming year. I will review the position further in the light of the conclusions of the securities settlement task force set up by the Bank of England.

The measures I have proposed so far will raise £2.4 billion in 1993-4, not including stamp duty. Of this, £750 million is required to finance the abolition of car tax. I will be using a large part of the rest to reduce taxes on business.

## The future

Before I turn to business taxes, I intend to set out my tax proposals for 1994-5 and the years thereafter. National Insurance contributions in my Autumn Statement I took some tough decisions on current spending to maintain capital programmes. But, to protect the poorest and most vulnerable members of society, we also decided to uprate social security benefits in full.

But had no further action been taken the effect of that rise in unemployment, would have been to push the National Insurance fund into deficit. To prevent this, I introduced a new Treasury grant.

This makes sense at a time when ensuring economic recovery is our priority. But it is clearly not a fair, or reasonable basis for financing the National Insurance fund over the medium term. A Treasury grant is paid for by the general body of taxpayers, including millions of pensioners who have already made a full contribution to the fund throughout their working lives.

I do not propose to increase National Insurance contributions in the coming year. However, from April 1994, Mr Lilley (social security secretary) and I propose to increase the Class 1 main rate of employee National Insurance contributions by 1 per cent to 10 per cent and the Class 4 rate for the self-employed by 1 per cent to 7.3 per cent. The arrangements for employees earning below the lower earnings limit and the self-employed with profits below the lower profits limit will be unchanged by these measures.

Taken together, these increases will raise about £1.8 billion in 1994-5 and £2.2 billion in a full year.

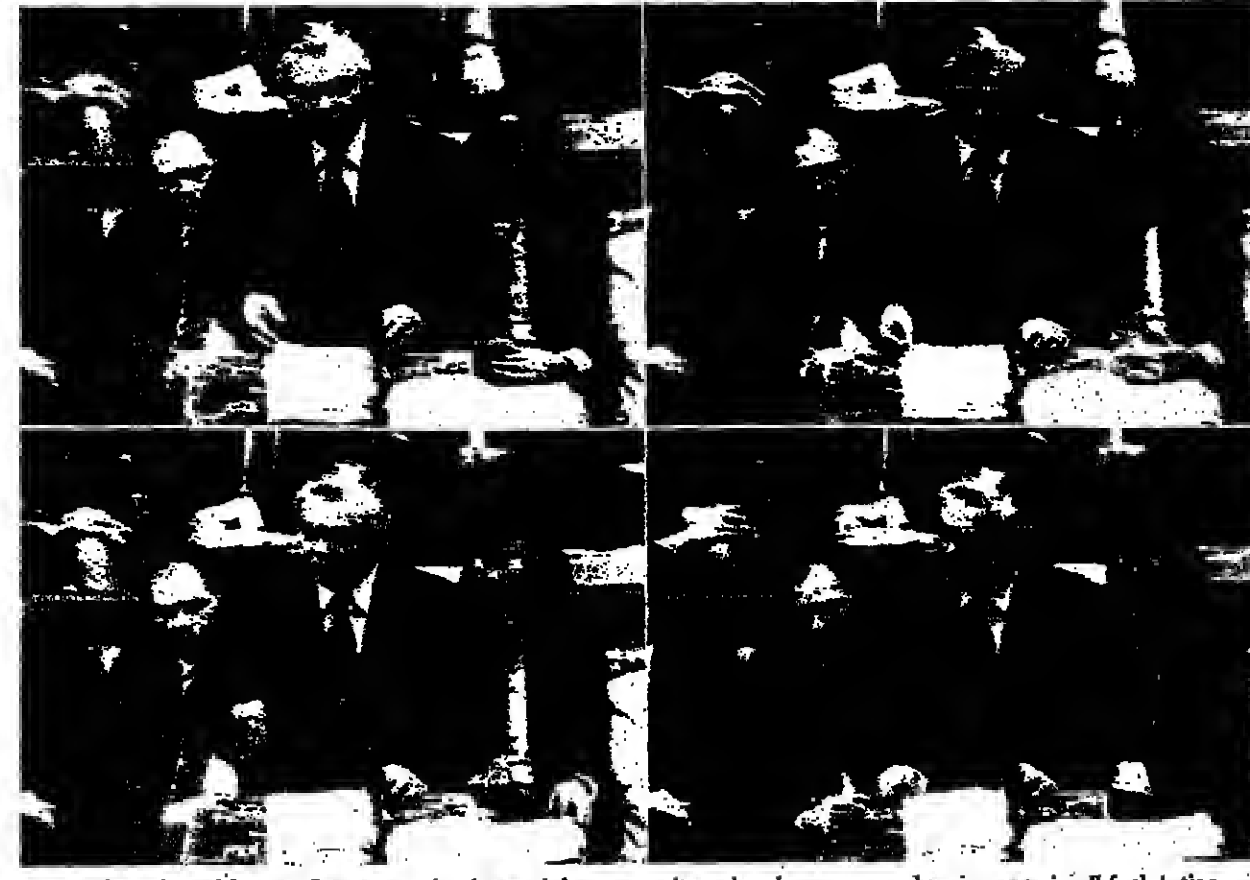
But that will still leave a deficit in the National Insurance fund of £2.8 billion in 1994-5 and a similar sum the following year. National Insurance contributions are, of course, paid not just by employees and the self-employed, but also by employers. And when a deficit of this size emerges in the fund it is natural to look to all contributors to make up the balance. The remaining deficit is roughly equivalent to an increase in the employer National Insurance contribution rate of 1.2 per cent from 10.4 per cent to 11.6 per cent. But I do not believe that it would be appropriate to increase the burden on employers. I therefore propose to retain a smaller Treasury grant to make up the continuing shortfall in the fund.

## Relocation

When a company asks its employees to move house, it may offer help with relocation expenses. Usually, that involves paying for the cost of the removals, but sometimes, if the move is to a more expensive area, the employer will pay allowances towards the employee's higher living costs.

For the past 40 years we have allowed employees to receive most of this help tax free, provided the employee has sold his existing home, a condition which has attracted some criticism. This means that someone whose employer gives them as much as £25,000 might pay no tax on it at all. On the other hand, people who decide to move to find work and pay their own costs get no help from the tax system whatsoever.

I am asking the Inland Revenue to withdraw the present extra-statutory concession which helps people moving to a more expensive area. And I propose to restrict relief on removal expenses to payments of up to £8,000 for people whose employers require them to relocate after April 6 this year. Under the new system, the existing home need no longer be sold to qualify for relief.



Budget views: Norman Lamont at the despatch box yesterday, when he announced an increase in all fuel duties

Although these changes come into effect immediately, they will not start to raise revenue until the year after — about £200 million in both 1994-5 and 1995-6.

## Mortgage relief

I have no plans to change the existing ceiling for mortgage interest relief of £30,000. But in the last few Budgets, we have taken steps to improve the focus of mortgage interest relief and to contain its costs, most recently in my 1991 Budget, by restricting the relief to the basic rate.

Even so, mortgage interest relief is expected to cost the Exchequer £4.3 billion next year alone. I propose therefore, to reduce the rate at which relief is given from 25 to 20 per cent. But I propose to defer the implementation of this change until April 1994. In all, this change will yield £900 million in 1994-5 and £960 million in the following year.

At current mortgage rates, no borrower will be more than £10 a month worse off from the reduced rate of relief; and for many with mortgages below £30,000 the increase in payments will be even smaller. I know that there are some elderly people with life annuity income plans, which allow them to draw down some of the savings they have invested in their houses. Such schemes will continue to attract relief at 25 per cent.

## Stamp duty

I am fully aware that the housing market remains fragile. This is why the changes I have described will not come into effect until next year. And that is also why I have one further proposal which will affect people buying houses. Whereas my proposals on mortgage interest relief do not apply until April 1994, this measure comes into effect immediately. I propose to double the stamp duty threshold to £60,000 for documents executed from today and not stamped before March 23 when the required Budget resolution has been considered by this House.

This means that the cost of buying homes priced at between £30,000 and £60,000 will be reduced by up to £600. From today, the number of transactions in the housing market liable to stamp duty will be halved.

With mortgage interest rates at their lowest level for decades, this reduction in stamp duty should provide a further stimulus to the housing market. The change will cost £220 million in 1993-4 and about £270 million in the following year.

## Married couples

At present the married couple's allowance reduces a taxpayer's liability at his or her marginal rate. A taxpayer on the 20 per cent lower rate benefits by £344 but a high rate taxpayer gets £688 — twice as much. There is no good reason why an allowance intended to recognise the responsibilities of marriage should give least to those on low incomes and most to those right at the top of the income scale.

From April 6, 1994, I therefore propose to restrict relief for the married couple's allowance to the lower rate of 20 per cent. It will then be worth the same amount to taxpayers at all levels of income. The allowances which are linked to the married couple's allowance for those aged under 65 will be similarly restricted.

Because of the higher level

of MCA to which they are entitled, this change will bear harder on elderly married couples. So also from 1994-5, I propose to increase by £200 the married couple's allowance for those aged 65 and over. This will ensure that pensioners paying tax at the basic rate are affected in the same way as any other basic rate taxpayer by the change. And elderly married couples in the lower rate band will actually gain slightly.

These changes will raise about £900 million in 1994-5 and £1.2 billion in 1995-6.

## Green measures

Last June, the prime minister signed the UN Convention on Climate Change at Rio. This was a milestone in international efforts to halt global warming.

When Britain and other countries have ratified the convention, the government will be committed to bring forward measures aimed at reducing greenhouse gas emissions from this country to 1990 levels by the year 2000.

The largest contribution in the growth in UK carbon dioxide emissions in the coming years is expected to come from the transport sector. I therefore propose to make clear today the government's long-term intention on road-fuel duties. We intend to raise road-fuel duties on average by at least 3 per cent a year to real terms in future Budgets, in addition to the increase I have already announced for this year.

My announcement today will help manufacturers and consumers to plan ahead. It should provide a strong incentive for motorists to buy more fuel-efficient vehicles. And it will raise at least a further £520 million in 1994-5 and £950 million in 1995-6.

But in order to meet the commitment we entered into at Rio, action will be required not just in the transport sector, but across the whole economy. And in deciding how best to meet our carbon emissions target we will need to ensure that the right incentives are in place throughout the economy — encouraging people to consume less and conserve more. Against this background I have one further measure to propose that will not only encourage greater energy efficiency in every household in the country, but will also raise a considerable amount of revenue.

## Energy tax

Fuel and energy supplies to industry pay VAT in Britain. Those to the home do not. In this respect, we are unique in the European Community.

I therefore propose, over the next two years, to end the zero rate of VAT on domestic fuel and power. Again, this change will not come into effect immediately, but in 1994 VAT will be charged at 8 per cent from April 1 1994 and at 17½ per cent from April 1 1995. This measure will raise some £950 million in 1994-5, £2.3 billion in 1995-6 and around £3 billion a year thereafter. For the first time the rate of VAT on domestic fuel and power will be the same as that charged on goods like loft insulation material, which improve energy efficiency. This will bring an end to the current anomaly which makes a nonsense of any attempt to use the tax system to improve the environment.

Together with measures which have already been announced, these tax proposals should take Britain two-thirds

of the way to meeting the Rio target. And they will do so in a way that does the least possible damage to the competitiveness of British industry.

## Deregulation

For the eight million taxpayers who have to fill in a tax return each year, the current arrangements are very far from simple. I propose to offer these people, including 4 million self-employed, the option of self-assessment. Legislation will be brought forward in next year's Finance Bill to implement the proposal from the earliest practicable date, which is 1996-7. For those who choose to take it up, self-assessment should provide a significant reduction in bureaucracy and paperwork.

[The success of self-assessment depended on it being simple enough for taxpayers to complete their own tax returns. Since 1926 self-employed people with different sources of income faced several tax bills and payment dates.]

Under my new proposals, people will have just one tax bill each year, covering all their income. And the self-employed will pay tax on the profits they make in the current year, not the preceding year. This should be a major simplification.

My third announcement will be of particular interest to smaller businesses. At present, all incorporated businesses must have their accounts audited. While it is clearly important that accounts should be reliable and indeed, that the Inland Revenue and other users should have the assurance they need that the accounts

have been drawn up properly, the current statutory audit requirement imposes a disproportionate cost on smaller businesses. The President of the Board of Trade will therefore shortly be issuing a consultative document setting out options for reducing this burden, at least for the very smallest incorporated businesses.

Business taxes

Britain already has the lowest rate of tax on business profits in the industrialised world and we have a personal tax system which makes it attractive for entrepreneurs and managers to live and work in Britain. We intend to see that continue.

Britain has had an outstanding record over recent years in attracting investment from overseas. Indeed we have attracted no less than a third of all foreign investment into the EC over the last few years.

But we cannot be too complacent. With the advent of the single market, the competition in Europe to secure inward investment has become ever more intense. So my Budget sets out to ensure that our business tax regime remains its

clear competitive edge.

## Surplus act

In talking to business organisations over the last few months, one issue has come up again and again — the problem of surplus advance corporation tax, or ACT. Many believe that this feature of our tax system both penalises successful British-owned international companies and distorts investment decisions.

I am afraid that my proposals are complex. But they do attack the problem of surplus ACT, they are central to the strategy of this Budget, and they raise a significant amount of revenue.

At present, ACT is paid on dividends at 25 per cent. This funds a tax credit which covers the basic rate income tax bill of the shareholder. But as its name implies, it is also an advance payment of the company's corporation tax bill.

In normal circumstances, the system works very well. But sometimes it does bring problems, particularly for companies which earn a large proportion of their profits overseas. These companies often end up paying an ACT bill on their dividends that is greater than their entire UK corporation tax liability. The so-called "surplus ACT" that results cannot be claimed back — in effect, it becomes an extra tax on profits. And this can have damaging economic effects.

First, I shall establish a special tax regime from 1994-5 to help foreign-owned international companies which are considering setting up their headquarters in the UK. This will make it more attractive for international companies to base their operations in Britain.

Second, I am today issuing a consultation document proposing a scheme under which British companies may choose to class any dividend paid out of overseas profits as a "Foreign Income Dividend". Unlike normal UK dividends, this will not carry any tax credit and although ACT would initially be payable in the usual way, the company will be entitled to a refund if it gives rise to surplus ACT. Once fully operational, this scheme could reduce the build-up of surplus ACT by some £250 million a year.

Finally, I propose to reduce the rate of ACT in two stages, from 25 per cent to 22½ per cent in 1993-4 and then to 20 per cent in 1994-5. This will give companies which pay dividends a cash flow benefit of about £2 billion over the next two years. And it will reduce the build-up of surplus ACT by about £300 million a year.

I also propose to reduce from 25 per cent to 20 per cent in 1993-4 the tax credit that shareholders get when they receive a dividend.

Finally, in order to ensure that most ordinary shareholders are not affected by this change, I also propose to reduce the rate of tax on dividends from the current basic rate of 25 per cent to the lower rate of 20 per cent. The effect of this, combined with the change to tax credits, is to leave most basic rate taxpayers neither better off nor worse off than they are now.

## Export credit

In the Autumn Statement, I announced a substantial increase in export credits to help British businesses win major contracts abroad. But the fact remains that export credit insurance has proved expensive

for the taxpayer. For that reason the government has negotiated hard over the years to secure a reduction in the subsidies offered by other countries. But in the meantime, British firms are sometimes at a competitive disadvantage in seeking business overseas.

The President of the Board of Trade and I have therefore looked again at the whole range of ECGD services and have decided to make some important changes.

We have therefore decided to make a further reduction of 7½ per cent in the average level of ECGD premiums. This means that, while premiums for individual export markets will always differ, the average level of premiums paid by British exporters next year will be down to around the average paid by their G7 competitors.

Second, export credit cover. Over the next three years, I propose that additional cover of £1.3 billion should be made available for those exporting into some of the fastest growing and most important markets around the world. Taken together with my Autumn Statement announcement, this means that the annual cover for these markets will have increased by more than 75 per cent in just four years.

As a result British firms will now be able to go out into export markets, with greater confidence that they can compete on a more equal basis with their overseas competitors.

## Insurance

For some years now, the industry has argued that the tax relief available to some of their European counterparts put them at a competitive disadvantage. In fact, that is not the whole story — in other respects, our own tax system is very favourable. Nevertheless, having reviewed the position again, I believe that there may indeed be a case for allowing tax relief on certain types of equalisation reserves covering occasional, exceptional losses. A consultation document will be issued later this spring.

## Lloyd's

I also propose to introduce a significant reform of the tax regime for Lloyd's. I propose to tax the gains on the disposal of assets which form the premiums funds of Lloyd's Names in the same way as those of corporate insurers. And I intend to replace the current reserve arrangements with a better targeted reserve, which should enhance Lloyd's ability to deal with the particularly volatile type of risk which makes up most of their business.

My proposals will greatly simplify the taxation of Lloyd's. Lloyd's has had a difficult time recently, but it remains vital if London is to retain its pre-eminent position in the world insurance market. Taken together the reforms I am proposing will be revenue neutral.

## Small business

Following heavy losses in recent years, the banks are bound to be more cautious in their lending. As the recovery progresses small firms may therefore find that their prospects for expansion are increasingly threatened.

I believe that many small businesses would benefit from making more use of fixed-rate finance which would give them more stability and would enable them to plan ahead. I propose therefore to make a substantial reduction in the loan-guarantee scheme premium for guarantees on fixed-rate lending. This will fall to 0.5 per cent and will, I hope, encourage more fixed rate lending. I also intend to reduce the premium on variable loan rates to 1.5 per cent. The premiums will henceforth apply to the whole loan, not just the guaranteed portion. This change should take effect in the next month or so.

I also propose that the limit on the size of loan allowed to such businesses should be raised from £100,000 to £250,000 and the proportion of the loan guaranteed increased from 70 per cent to 85 per cent. The President of the Board of Trade and I will be taking this forward urgently with the banks.

## CGT reform

My second measure relates specifically to entrepreneurs who have built up successful businesses and now wish to sell them in order to start up a new one.

I propose in future to defer the payment of capital gains tax for any entrepreneur whose gains from the sale of his own company are reinvested

Continued on page 17

## LOW INTEREST RATES AREN'T HELPING SYLVIA

The recent substantial cuts in interest rates are not good news for Sylvia.

Take Sylvia. With her state pension and the interest from her small savings, she thought she was secure. In the last few months she has seen her income drop and her unpaid bills mount. At 77 she has lost her financial independence, as she can no longer afford to pay her own way.

A few days ago Sylvia asked Homelife for help.

Homelife, run by The Distressed Gentlefolk's Aid Association, helps people like Sylvia. Please help us to help them by sending a donation to Homelife, Dept. B, Vicarage Gate House, Vicarage Gate, London W8 4AQ. The DGAA is a Registered Charity and a Company Limited by Guarantee.





# The Chancellor's Budget speech

## 'We will make progress towards a 20p basic rate tax'

Continued from page 16  
ed in another qualifying un-  
quoted trading company, or  
companies. I know this will be  
widely welcomed by the ven-  
ture capital industry.

I also propose to relax the  
conditions for CGT retirement  
relief, by reducing the qualify-  
ing shareholding from 25 per  
cent to 5 per cent; and to  
extend this relief to cover full-  
time employees, as well as  
directors. These changes will  
cost £50 million in a full year.

### VAT

I turn now to the VAT regime,  
which for many small busi-  
nesses takes up a great deal of  
time and can be a particular  
source of worry. The best way  
to help is to keep them out of  
the VAT system altogether. I  
am therefore raising the VAT  
threshold to the maximum ex-  
tent possible. The new thresh-  
old will be £37,600.

Over the last couple of years  
I have also announced  
measures to allow traders to re-  
claim VAT on debts which re-  
main unpaid after 12 months;  
and to encourage firms to take  
advantage of the cash account-  
ing scheme under which traders  
only have to pay VAT to cus-  
tomers when they themselves  
have been paid by their cus-  
tomers.

I propose to increase the  
ceiling on turnover below  
which firms may join the cash  
accounting scheme by  
£50,000 to £350,000. This  
will allow an extra 15,000  
businesses to benefit... I also  
intend to help businesses  
which are too big to take ad-  
vantage of the scheme. At  
present, VAT can be reclaimed  
on any invoice which remains  
unpaid after 12 months. I pro-  
pose to halve that qualifying  
period to six months.

In addition, I have a further  
series of reforms to propose to  
the current system of VAT  
penalties. First, I intend to fo-  
cus the rules better so that only  
larger errors and the most per-  
sistent offenders will incur the  
"misdeclaration penalty"...  
Second, I propose to place a  
three year limit on the number  
of years' interest that can be  
charged when tax has been  
underpaid. Third, I have de-  
cided to reform the VAT de-  
fault surcharge so that traders  
will be notified sooner of the  
fault and surcharged at a lower  
rate and only on larger  
defaults.

Following Lord Keith's  
1983 review, the government  
concluded that it would be  
wrong to give customs discre-  
tion over the level of VAT pen-  
alties... But the controversy  
has continued ever since...  
I have considered this mat-  
ter afresh, and concluded that  
the time has come to make a  
change. I propose therefore  
that customs should be given  
some discretion to mitigate the  
penalties for some circum-  
stances of the trader. If neces-  
sary, of course, the trader will  
still be able to appeal to a VAT  
tribunal, which will also have  
greater scope for discretion.

I have already announced  
my intention to extend value-  
added tax to domestic fuel and  
power from April 1 next year. I  
now have one further an-  
nouncement to make on  
VAT...

I have inevitably had to look  
very carefully at the whole  
structure of our current VAT  
regime and particularly at  
whether all of our existing zero  
rates should be maintained.  
Some of these... for example  
food and water, are clearly  
among the most basic neces-  
sities of life. Others, for example  
sewerage and newspapers,  
perhaps fall into a different  
category. Having reflected

carefully I have decided not to  
extend the VAT base beyond  
fuel and power.

For some time the blood-  
stock industry has been con-  
cerned about competition  
from other EC countries  
which levy a lower rate of VAT  
on horses. The single market  
has exacerbated this problem  
and created a major incentive  
to move bloodstock business  
abroad, threatening 30,000  
jobs...

As a result of proposed  
changes in the Jockey Club's  
rules owners who wish to do so  
will now be able to organise  
their racing activities in a  
more commercial way. This in-  
tern will enable them to meet  
the normal business test for  
VAT registration and to claim  
credit for VAT on purchases  
subject to the usual rules.

### UBR

My last Budget helped many  
thousands of firms by altering  
the business rates transitional  
arrangements to accelerate the  
gains of those who gained  
most from the change in the  
system, while freezing real  
rates bills which would other-  
wise have risen substantially.  
The freeze applied for one year  
only, so many businesses now  
face a substantial increase in  
their rates bills...

It would, I believe, be wrong  
to impose such increases in  
present circumstances. I there-  
fore propose for a further year  
to freeze in real terms the rates  
bill of those losing from the  
new system... In cash terms,  
that means that no bill will rise  
by more than 3.6 per cent, the  
increase in the RPI in the year  
to last September.

Subject to Parliament's  
approval, the government will  
again pay extra sums into the  
business rates pool to ensure  
that the income of local au-  
thorities is not reduced. The  
new measure will reduce the  
total business rates bill in Eng-  
land and Wales next year by  
2.6 per cent. Bills in Scotland  
and Northern Ireland will  
likewise be reduced by 2.6 per  
cent in aggregate... The reve-  
nue cost is estimated to be  
some £370 million in 1993-4  
and some £260 million in  
1994-5. The measures I have  
announced will reduce the  
burden on business by about  
£1 billion in the year ahead.

### National lottery

For the first year of its opera-  
tion I propose that national  
lottery tickets should be taxed  
at a rate of 12 per cent. Exist-  
ing society and local authority  
lotteries will be exempt.  
Winning will incur no tax  
whatsoever...

I intend to raise the annual  
limit for income tax relief  
under the payroll giving  
scheme from £600 to £900  
with effect from April 6. Sec-  
ond, I propose that the mini-  
mum gift attracting tax relief  
for single donations under the  
gift aid scheme should be re-  
duced from £400 to £250 from  
today... Taken together, they  
will boost tax relief on dona-  
tions to charities by some £30  
million in a full year.

### Employment

In the Autumn Statement, the  
government announced a  
number of measures to help  
the unemployed. And in my  
Budget, I have set out my fur-  
ther proposals to help business  
and sustain recovery - the  
best way to promote employ-  
ment...

The secretary of state for em-  
ployment (Gillian Shephard)  
and I have decided to take fur-  
ther special measures to help  
an extra 100,000 unemployed

people. First, we have decided  
to provide more help for those  
who wish to set up their own  
businesses under the business  
start-up scheme... We pro-  
pose to offer an additional  
10,000 places in 1993-4...

Second, the secretary of state  
for employment proposes to  
introduce a new initiative to al-  
low the long-term unem-  
ployed to learn the practical  
skills they need to find work.  
Resources will be made avail-  
able to allow 30,000 long-  
term unemployed people to  
take up full-time vocational  
courses...

Third, it is widely agreed  
that in every community there  
are plenty of jobs needing to  
be done, and plenty of people  
who want to do them... We  
are therefore launching a new  
community action pro-  
gramme to allow 60,000 of  
the long-term unemployed to  
do part-time work in their  
local communities, organised  
by voluntary groups. Those in-  
volved will be paid an allow-  
ance based on their previous  
benefit rates plus a small pre-  
mium...

We propose to test in pilot  
schemes the feasibility and ef-  
fectiveness of a new approach  
where rather than pay benefits  
to the long-term unemployed  
to do nothing, payment will  
instead be made, for a limited  
period, to an employer who re-  
cruits them... Pilot schemes  
using different approaches  
will be launched this summer  
in four parts of the country. If  
they can be made to work, this  
could lead to permanent jobs  
for the long-term unemployed  
as the economy recovers.

Finally... I now propose to  
offer the [Training and Enter-  
prise Councils (Tecs)] a new  
£25 million fund.

These measures will cost  
£230 million and will give spe-  
cial help to those who need it  
most, including disabled  
people. The disabled will be  
given priority in the vocational  
education initiative and in  
community action, helping us  
to build on our achievements  
in helping the disabled back to  
work...

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£230 million and will give spe-  
cial help to those who need it  
most, including disabled  
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given priority in the vocational  
education initiative and in  
community action, helping us  
to build on our achievements  
in helping the disabled back to  
work...

### Private finance

In my Autumn Statement I  
announced significant  
changes to the rules for the pri-  
vate financing of major infra-  
structure projects. This  
initiative has met with an en-  
thusiastic response; and today I  
have a number of specific de-  
velopments to announce...

BAA plc and British Rail  
have agreed to proceed with  
the Heathrow Express  
[project]. This is a major new  
joint venture, involving private  
sector investment of nearly  
£300 million.

Second, Crossrail, a public  
sector project first proposed in  
1989 to reduce congestion in  
central London... we now  
believe it would be preferable  
to take this project forward as  
a joint venture with the private  
sector. The present proposals  
for Crossrail will therefore be  
re-examined. Our aims will be  
to maximise the participation  
and financial involvement of  
the private sector...

[The Channel tunnel] will  
provide a fast link between  
Britain and Paris, cutting  
journey times dramatically.  
But those times could be cut  
still further by reducing the  
time taken for journeys within  
Britain itself. For that to hap-  
pen a new rail link will be re-  
quired - from London down  
to the Channel tunnel itself...  
I can announce today that the  
Channel tunnel rail link will  
go ahead.

The secretary of state for  
transport (John MacGregor)  
will be inviting the private sec-  
tor to come forward with bids  
so that the project can be taken  
forward as a joint venture as  
soon as possible... We hope  
to be able to introduce a bill as  
soon as the legislative timetable  
permits, and to see the new  
line fully completed around  
the end of the decade. The  
government will make its own  
financial contribution... Full  
responsibility for the project,  
its management and comple-  
tion will be transferred to the  
private sector.

Subject to the results of de-  
tailed work by British Rail  
over the next few months, the  
London terminus of the new  
rail link will be located at St  
Pancras. This will provide a  
new lease of life for this mag-  
nificent Victorian building,  
which will become the gate-  
way to London for interna-  
tional passengers...

Subject to the results of de-  
tailed work by British Rail  
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tional passengers...

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rail link will be located at St  
Pancras. This will provide a  
new lease of life for this mag-  
nificent Victorian building,  
which will become the gate-  
way to London for interna-  
tional passengers...

### Income tax

My priority in this Budget has  
been to set out a clear strategy  
for reducing public sector bor-  
rowing over the medium term.  
I am therefore unable this year

to reduce the basic rate of in-  
come tax. I also propose to  
leave the higher rate of tax un-  
changed at 40 per cent.

But in my Budget last year I  
opened up an alternative route  
for moving over time to our ul-  
timate objective - a 20p basic  
rate of income tax for every-  
one. The new lower rate band  
I announced last year at a  
stroke took four million tax-  
payers on low incomes down  
to the 20 per cent rate, cutting  
their marginal rate of tax by a  
fifth.

In this Budget I have taken  
my reform a step further. The  
government's 20p pledge  
not only involves a reduction  
in marginal tax rates for 19  
million basic rate taxpayers.  
But also, when the basic rate  
is eventually brought down to  
20 pence, tax reliefs for basic  
rate taxpayers will, of course,  
be worth 20 pence in the  
pound too. In this Budget, I  
am bringing forward that  
change by restricting three  
specific tax reliefs to 20 per  
cent. Not just for basic rate tax-  
payer, but for all taxpayers.

First, I have reduced the tax  
credit on dividends to 20 per  
cent, to cut the rate of advance  
corporation tax which com-

panies pay on dividends. Sec-  
ond, I will be reducing the rate  
of relief on mortgage interest  
payments to 20 per cent, to cut  
the subsidy on borrowing and  
to pay for a reduction in the  
tax on housing transactions.  
Third, I will be restricting the  
tax relief for married couples  
to 20 per cent, to make it  
worth the same for all taxpay-  
ers...

I propose to increase the  
width of the new 20p band in  
1993-4 by £500 to £2,500.  
This will help all taxpayers  
currently paying tax at 25 per  
cent. And it means that in the  
coming year nearly five mil-  
lion taxpayers will face a mar-  
ginal rate of income tax of only  
20 per cent...

The measures I have an-  
nounced today will also allow  
me to make a further exten-  
sion of the 20p rate in 1994-5.  
From April next year I pro-  
pose that the 20p band should  
cover the first £3,000 of tax-  
able income, £500 more than  
in the year ahead. And we  
shall continue to widen the  
20p band in the years to come  
- year by year we will make  
further progress towards our  
objective. A 20p basic rate of  
tax for everyone.



You know how it is. You're just settling  
in nicely to the big movie on TV when all  
of a sudden the hero freezes in mid-action.  
Oh no, it's the adverts again.

Yes, here they come for the n'th time:  
those unbearably dull folk with their lives  
ruled by coffee and washing powder and  
dogfood. Quick, where's the remote control?  
Flip channels for something - anything  
- to watch instead.

In this panic to escape the  
adverts, some of us have even been  
known to sit through two minutes  
of opera on BBC2.

Thanks to high tech, it's  
getting easier and easier to avoid  
the ads. It's called zapping.

We'll soon have VCRs  
which automatically cut out  
the commercial breaks.

The very latest one  
records programmes and  
zaps adverts, and is oper-  
ated just by talking to it.

All this is bad news  
for the advertisers who can pay millions of  
pounds for a few seconds of our attention

on TV. To make matters worse, there are now  
so many commercial TV stations that it's hard  
for advertisers to know where best to place  
their adverts nowadays.

If they are serious about talking to us,  
they really should find a better way.

There's no better way than the way we're  
communicating right now, via the pages of our  
newspaper.

The same high-technology that's  
killing commercials is giving a new lease of  
life to newspaper advertising.

The colour's a lot better than it used to  
be. Reproduction is excellent, and newspaper  
ads are still much cheaper and faster to  
produce than TV commercials.

Some newspapers are set up to  
receive advertisements, complete with  
photography and typesetting, beamed in  
over a phone line.

Best of all, from the advertiser's  
point of view, is that ads in newspapers  
get noticed. Take this one, for example.  
You've just spent a couple of  
minutes with it. Who knows?  
You may even be reading it  
during a commercial break.



In the chair: Michael Morris, the deputy Speaker,  
who traditionally presides over the Budget



From company director to single mother, who wins on the swings and who is left feeling dizzy?

# It could have been worse – unless you are already poor

BY JAMES LANDALE

THE Budget was one of "swings and roundabouts", according to Nick Fairburn, 36, a director of Target Advertising Ltd in Cheltenham. He said the Chancellor was "chipping away at disposable income".

Mr Fairburn earns between £25,000 and £35,000 a year, putting him in the 40 per cent tax bracket. He and his wife Nicola, 35, have two children: Matthew, 7, and Grace, 5. They spend £90 a week on food, £30 a week on children's clothes and about £4 on newspapers. They have no savings.

Mr Fairburn said that VAT on domestic fuel was "a hell of a hike" and would add "at least £200 a year more" to bills. He said: "It is a backdoor tax, a way of getting money off everybody without changing income tax."

Mr Fairburn's house is worth £110,000 and his mortgage is £82,000. He said that the cut in mortgage interest relief from 25p to 20p in the pound would cost him about £100 a year. "It's cutting away at one's disposable income," he said. However, "it could have been a lot worse."

He said the increase on petrol was no surprise but "with my green hat on, he could have left unleaded alone". Mr Fairburn has a company car, a BMW 320 estate, and his wife has a Ford Fiesta. Petrol for both cars is paid for by the company.

He said that because his company's 18 cars were now going to be taxed according to their value and not by the size of the engine, "We will sit around the boardroom and say how clever we were," he said.

Mr Fairburn said that, as a director of a company, he wanted to recruit the best managers. Unfortunately, he said, there were lots of incentives, such as company cars, that were being lost.

Although the family drinks four bottles of wine and eight cans of lager a week, Mr

More indirect tax and less mortgage relief will chip away at families' incomes but VAT on domestic fuel will hit hardest

Fairburn said that the tax increase on tobacco and alcohol was "fair game". "They are all vices," he said, "and one has come to expect an increase in taxes. That doesn't worry me."

Monica Jones, 72, a former civil servant who worked for the Department of Health and Social Security, said the budget was a "curate's egg" – but with not very many nice parts. She said: "It was a Budget for business but not for pensioners. The lower the income, the more it affects you."

Mrs Jones's husband, Ray, also 72, a former maintenance officer with Northamptonshire County Council, receives a state pension of £58, including Serps, and an occupational pension of £20 a week. Mrs Jones gets £62 from the state and £20 from her occupational pension. This gives them an income of £160 a week.

They have savings of £1,600 in an interest-bearing account. "You find that by and large any savings under £2,000 are for funerals and emergencies and not for expenditure," said Mrs Jones. She said that any reduction in interest rates might help people with mort-



Fairburn: income is being chipped away

gages, but that it hurt pensioners, who rely on a few pounds extra each week from interest off their savings. "It has already hit us and it could hit even more."

They spend £12 a week on petrol and £6 on public transport. "That would make quite a difference. We do not do a large mileage but a tax on petrol is going to affect everybody because it automatically affects everything that is transported by road. This will hit the lowest paid completely."

Mrs Jones said that the 8 per cent VAT that is to be put on domestic fuel and power next year, rising to 17.5 per cent in 1995, "was a heavy burden for pensioners and those on low incomes". She said: "Pensioners have to pay a larger proportion of their income on keeping warm than people who are at work all day. It is a great proportion of their income. This new tax hits them very hard."

However, she said she was glad that VAT had not been put on food and newspapers. "We are glad of the things which did not happen," she said. "We were very lucky not to get it on food."

Although she and her husband neither smoke nor drink, she said that she did not agree with more tax on beer and gambling. "People should be allowed their little pleasures," she said. "I don't know how it will affect the bingo."

They eat out only every six weeks, and had one week's self-catering holiday last year. They make their own clothes and have paid off the mortgage on their house in Wellingborough, Northamptonshire.

"We have to live on a very tight budget," said Mr Jones. "And although we have had to work very hard, it is still difficult. We have to shop at the same shops as everybody else. We do not get any

## 'How can they tax heating?'

BY JAMES LANDALE AND NICHOLAS WATT

PUTTING VAT on home heating was described as disgraceful last night by a middle-income family which expects it will need to make drastic savings.

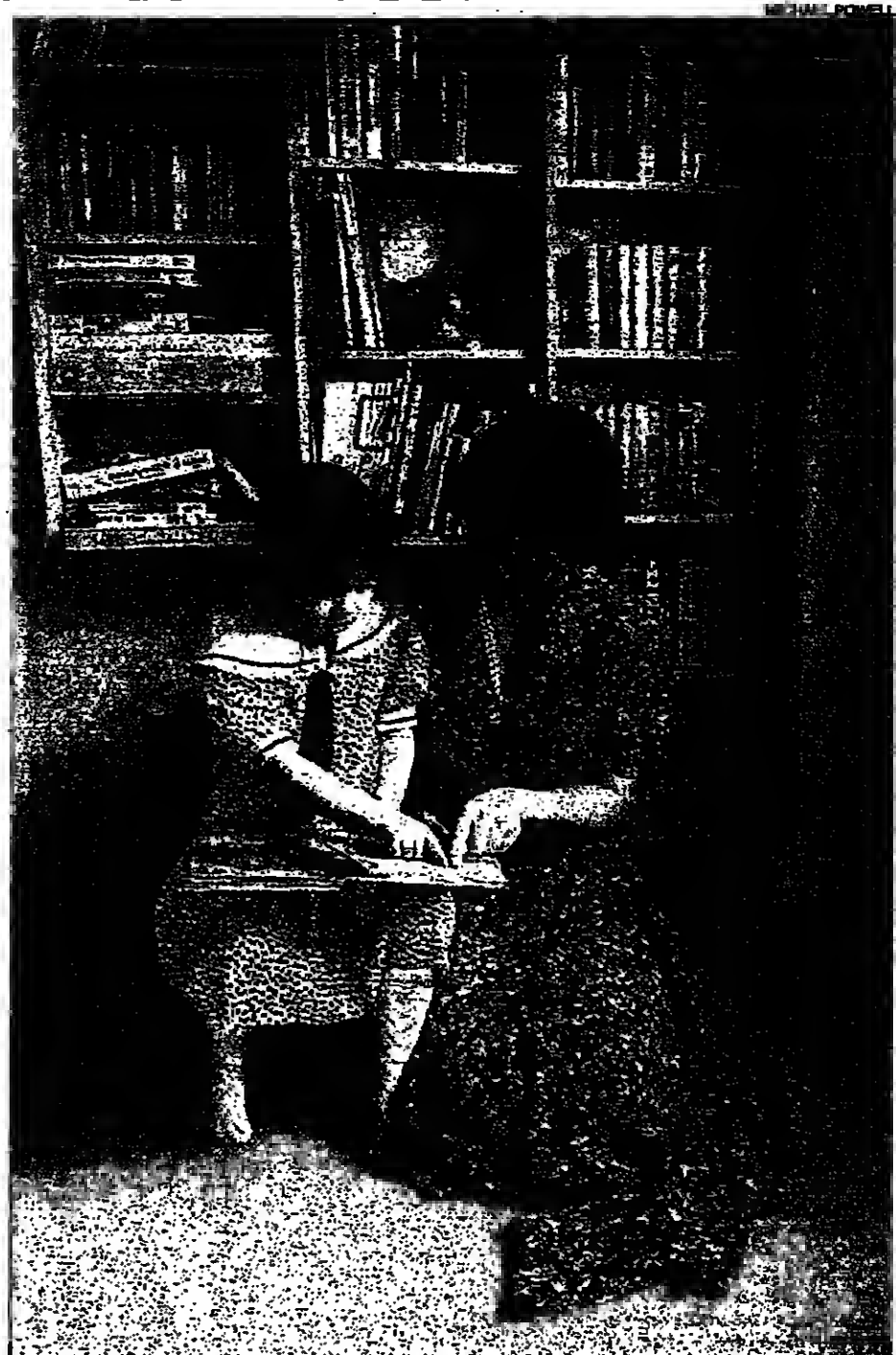
Linda Nazarko, 37, of Purley, Surrey, said: "It is an infuriating idea. How can they put a tax on keeping warm, which is part of being healthy? The government is treating heating as a luxury. They may as well return to the 18th century and tax light."

Mrs Nazarko, matron of a nursing home, and her husband Edward, a self-employed builder, who have a four-year-old daughter, are repaying a £30,000 mortgage. They expect "horrendous" heating bills from next year. They pay £40 a month for electricity and up to £300 a quarter for gas by 1995 these will rise to £47 and £352 respectively, excluding price rises.

Mr Nazarko, who drives a Land Rover, was dismayed by the rise in petrol and vehicle excise duty. "The roads are getting worse. They're trying to push us on to public transport but that is in a terrible state. This money won't go to improve facilities, it will just go to pay for the government's mistakes."

The Nazarkos receive £38 child benefit each week and spend £90 on food and drink. Mr Nazarko, giving up smoking, was pleased by the 10p increase on 20 cigarettes.

Mrs Nazarko was impressed by next year's increase in national insurance. "It really is crazy. They're hitting the workers."



Cold comfort: Linda Nazarko at home with daughter Rachael

reductions. It is difficult to understand unless you have gone through the experience."

A single mother said last night that yesterday's Budget changes would make her £200 a year worse off, and the government had consistently let her down during the past five years.

Karin Green, 35, who lives with her two children in Dagenham, Essex, said she would have to make savings to cover increased petrol and

heating bills from next year. At the moment, Mrs Green's domestic fuel bills are £210 a quarter, but they will rise to £246.75 in 1995, excluding normal price increases.

Mrs Green earns £57.25 a week as a part-time packer in a factory. She receives £68.65 a week in family credit and £23.30 family allowance, a total weekly income of £149.20.

Mrs Green spends £25 a week on food and she puts

aside about £7 each week to pay for new clothes for the children.

She pays a council mortgage of about £180 a month and spends a further £5 a week on petrol for her Mini.

"I will have to be extra careful with my spending from now on," Mrs Green said. "I suppose I will have to put on my shoes and walk to work, and to the shops. The children will have to make do with less pocket money and I'll

## 'It hasn't given much but has taken lots'

BY JAMES LANDALE

"VERY boring with nothing very spectacular" was the verdict on the Budget of Steve Rusga, 32, a personal financial manager for the Bristol and West Building Society. He said: "It hasn't given very much but has taken quite a lot away."

VAT on domestic fuel was "the thing that is going to tax me most" but "is not really a problem". He added: "It will affect pensioners more than people like me." He thought that they should get a cold weather allowance to counteract the tax.

He and his wife, Denise, 33, live in Bristol and have a 21-month-old daughter, Ellen; he earns £34,000 a year and is in the 40% tax bracket. He has a mortgage of £90,000, but the value of his flat overlooking the docks has fallen from £100,000 to £80,000. He said the reduction of mortgage relief was going to put £10 a month on his payments.

Mr Rusga said that the decrease in mortgage tax relief was "unexpected". He said: "I thought he would leave it as it was." He said that the Chancellor should have left it for first time buyers. "I would have liked him to have encouraged people to get into the market to stimulate prices."

Mr Rusga is currently trying to sell his flat, even though it has been valued at £10,000 less than his mortgage.

Mr Rusga and his wife drink four bottles of wine a week. "We can live with the increase," he said. "We might just be a bit more fussy about what we buy, like looking for bargains." He said he welcomed the increase in cigarette prices. "I am giving up smoking and do not buy them any more," he said. "This will encourage me even more."

The increase in petrol tax, he said, would add £3 to his £30 a month petrol bill and was "no real problem". He has a company car, a Vauxhall Cavalier 1.8i, and said that because of the change in the way it will be taxed he might take a company allowance instead which "would give me the choice of what I drive."

## Return of FIRST Option Bonds

Applications for purchase of FIRST Option Bonds will be accepted from Monday 22 March. The guaranteed rate for the first twelve months the bonds are held will be 6.34% gross, equivalent to 4.75% net after deduction of tax. A Bond to the value of £20,000 or more will earn a guaranteed bonus of 0.4% gross (0.3% net) over the first twelve months. The holding limit remains unchanged at £250,000.

Advertisements containing application forms for FIRST Option Bonds will appear in national newspapers from 20 March. Prospectuses and application forms will be available at post offices from 29 March.

(The net rates mentioned above assume a basic rate of tax of 25%.)

## Increases in Holding Limits

With effect from 18 March With effect from 13 April

### SAVINGS CERTIFICATES

40th Issue — from £5,000 to £10,000  
6th Index-linked Issue — from £5,000 to £10,000.  
Reinvestment Certificates — from £10,000 to £20,000 for each Issue

### CAPITAL BONDS

From £100,000 to £250,000 (maximum for all holdings after Series A)

### INCOME BONDS

From £50,000 (£100,000 for joint holdings) to £250,000 (sole or joint holdings)

### PREMIUM BONDS

From £10,000 to £20,000\*

With effect from 10 May

### INVESTMENT ACCOUNT

From £25,000 to £100,000\*

\*Subject to Parliamentary procedures.



Issued by the Department for National Savings on behalf of the Treasury

## Raising of stamp duty level helps first-time buyers

BY RACHEL KELLY, PROPERTY CORRESPONDENT

BUILDERS, estate agents and lenders said the boost the housing market needed to sustain the signs of recovery.

David Holland, chief executive of Wimpey Homes, said that while the restriction of mortgage interest tax relief from 25 to 20 per cent would not damage the market, the doubling of the stamp duty threshold from £30,000 to £60,000 was very good news for the market.

"A stumbling block for first-time buyers has been high start-up costs," Mr Holland said. "The change to Miras [mortgage interest relief at source] will not affect the market. Much lower interest rates are far more important than any such minor adjustments in repayment costs."

Harry Ell, managing director of Hambro Countrywide, one of the country's largest chains of estate agents, said the stamp duty measure would greatly help the market by aiding first-time buyers, the engine of recovery. "The money which would have been absorbed in stamp duty tax can now be spent on

solicitors' fees or building society deposits as lenders are becoming ever more demanding in the deposits they require."

"The housing market could have wished for nothing more from the budget," Mr Hill said. "The market is already doing well. There is no need for the Chancellor to overheat the market. I think his measures are spot on."

Michael Jones, president of

the National Association of Estate Agents, said: "We are very pleased. The raising of the stamp duty threshold is something we have been battling for some time. It is good news for first-time buyers especially. It is an extra bonus which should help stimulate the housing market."

Adrian Coles, from the Council of Mortgage Lenders, said: "The budget is helpful in the short term and not significantly damaging in the long term. Giving people a year's notice about the changes to Miras is helpful so they can

make adjustments. At current interest rates on a £30,000 mortgage, it will cost only an extra £10 a month, or the equivalent of increasing rates from 6 to 6.4 per cent."

The changing in the stamp duty threshold was in line with inflation since 1984, when the threshold was fixed at £30,000 and more in line with average house prices, Mr Coles said. The Halifax building society said that the stamp duty threshold had been increased to a level which was high enough to help first-time buyers in the South-East, where the average first-time buyer's house costs £51,500. That compares with an average for the country of all houses of £60,196, according to Halifax figures. The housing market in the South-East has been worst hit by the slump, with house price falls of about 30 per cent since the boom.

"There are now the first signs of recovery, in terms of the levels of interest and enquiries, in the South-East," a Halifax spokesman said. "The stamp duty changes are welcome and should further help the market."

## Big boost expected in Gift Aid

CHARITIES predicted a £30 million a year boost after Norman Lamont's announcement that the minimum charitable contribution that can be made under the Gift Aid scheme is being cut from £400 to £250 net of tax immediately (Sara McConnell writes).

Raising the limit under the Give As You Earn scheme to £900 is likely to bring up to £3 million more a year, the Charities Aid Foundation said. This is the second time in

two years that the minimum donation under Gift Aid has been cut. Last year, Mr Lamont reduced it from the original £600 to £400. Charities argued this year that £400 was still too high for a minimum donation, saying that it prevented people giving. When the scheme was introduced, there was an upper limit of £5 million by any one donor in any tax year, but this was abolished in 1991.

In its first two years, Gift Aid has raised £307 million, with the Inland Revenue paying £107 million in tax relief.

## 12% levy on tickets satisfies Brooke

BY SHEILA GUNN, POLITICAL CORRESPONDENT

THE 12 per cent tax on national lottery tickets marks a partial victory for Peter Brooke, the national heritage secretary.

He warned Treasury ministers that too high a rate would deter punters from buying tickets for a scheme intended to raise £1 billion a year for heritage, sports and arts projects, the Millennium fund and charities.

Mr Brooke said yesterday: "The tax rate has been set at a very reasonable level. This will provide for healthy sums to be returned for good causes — around 25 per cent of turnover — bringing in hundreds of millions of pounds. It will also allow about half of the turnover to be returned as

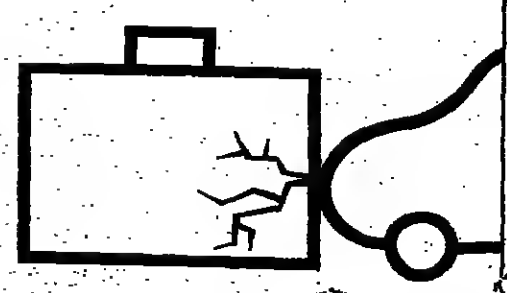
prizes. This can only be good news all round." About 13 per cent is spent on administration.

The Treasury said that the lottery must be taxed because the Exchequer would lose if people spent money on tickets instead of taxed items.

With betting duty set at 37.5 per cent, football pool companies had argued that a similar rate should be imposed on the lottery, due to start up next year.

The Treasury toyed with a 17.5 per cent tax in line with VAT. In the final weeks of negotiation, Mr Brooke and the Treasury narrowed the gap to between 10 and 15 per cent.

## Budgetbuster.



The economical new Micra. NISSAN



# Seoul may seek US help as North declares 'semi-war'

The ominous rumblings of war from the North have the usual ring of propaganda but there are fears that an isolated President Kim Il Sung could react unpredictably

BY EVE-ANN PRENTICE, DIPLOMATIC CORRESPONDENT AND MICHAEL BREEN IN SEOUL

IN A move that would infuriate the North, South Korea may ask America to leave behind some of the military forces now holding joint exercises with its own troops. "If it becomes necessary, [we are] seriously considering keeping on some of the US forces currently taking part in the Team Spirit exercise," a defence ministry statement said in Seoul, the South Korean capital.

North Korea has already declared itself to be in a state of "semi-war". It did so last week at the same time that it reneged on the Nuclear Non-Proliferation Treaty. The International Atomic Energy Agency (IAEA) had given Pyongyang, the North Korean capital, until March 25 to allow access to two secret sites to investigate suspicions that they housed enriched plutonium, the vital ingredient for nuclear weapons. The North Koreans refused, saying the demand by the Vienna-based agency was an American-inspired attempt to spy on its military facilities.

US Marines normally based on the Japanese island of Okinawa could be asked to

stay behind, along with the aircraft carrier *Independence*. F117A stealth and B1B bombers currently deployed in South Korea would also be asked to remain to boost the permanent garrison of 36,000 US troops, reports from Seoul said.

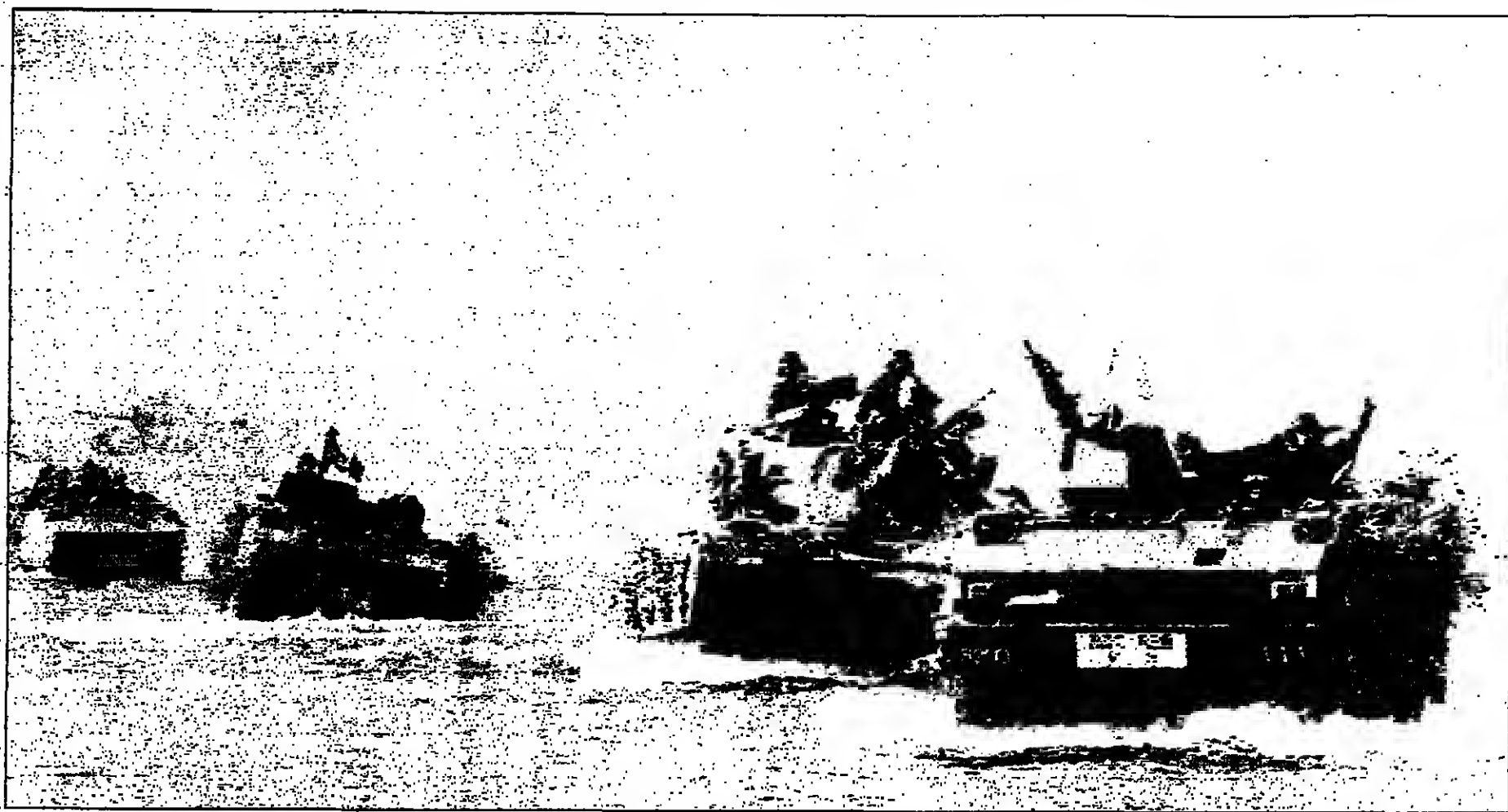
The only optimistic sign in a day of rising tensions on the Korean peninsula was an agreement between Seoul and Pyongyang to repatriate a 77-year-old veteran of the Korean war to the North, ending his four decades of imprisonment and exile in the South.

The IAEA will meet tomorrow to discuss the North Korean move and may refer the case to the United Nations Security Council, which could impose economic sanctions.

The Team Spirit exercises, involving more than 120,000 troops from South Korea and America, are ending tomorrow, although it will take until the end of April for the last visiting US forces to leave. North Korea wants the annual war games to be scrapped for good, saying they are a rehearsal for invasion.

There was very real concern in Seoul yesterday that, while the ominous rumblings of war from the North have the usual ring of propaganda, the Pyongyang regime may in fact be more desperate than previously. The communist government of President Kim is thought to have painted itself into a corner by refusing to drop its nuclear weapons programme and may react unpredictably as a result.

North Korea's abrupt withdrawal from the non-proliferation treaty has done little to



War games: South Korean tanks, currently engaged in the joint Team Spirit military exercise with American troops, crossing the shallow Namhan river south of Seoul yesterday. The annual exercise was reinstated this year after being called off a year ago as a gesture to North Korea, which describes it as a preparation for invasion

allay these fears. Jo Yung Hwan, a political scientist in Seoul, says North Korea may be playing its nuclear card to draw economic assistance and credits from Japan and America. Nevertheless, it may be hard to broker a peaceful settlement.

"There is a 50-50 chance that the United States, with UN backing, could take action," he said. "In response, North Korea could fire off a missile towards Seoul."

President Kim of South Korea yesterday urged the North to reconsider its decision.

"Team Spirit is all the more important this time, and the allied forces of Korea and the United States should prepare to cope with any state of emergency," he said.

North Korea signed the non-proliferation treaty several years ago, but did not allow inspectors from the IAEA to view its nuclear sites until last summer. Pyongyang was disappointed when trade and investment links with America, Japan and South Korea did not follow.

Faced with further North Korean stone-walling on

nuclear inspections, Washington and Seoul reacted Team Spirit, which was suspended last year as a gesture of reconciliation to the North.

This month North Korea was faced with a bitter blow when China, its only significant ally, refused to endorse the takeover of President Kim's son, Kim Jong Il. The son immediately cancelled a long-standing trip to Peking.

While many people in Seoul appear indifferent to the warmongering in the North, the South Korean president showed clear concern about Pyongyang's intentions. "We never want the North to be internationally isolated," he said. The Seoul administration now hopes that China can persuade North Korea to be frank about its nuclear armaments and so solve the issue peacefully.

Japan chided: Japan needs to reform its asylum policy to bring the country into line with its international obligations, Amnesty International said in a report yesterday (David Watts writes).

"Japan has a responsibility to protect political refugees fleeing threats to their life or freedom," said Amnesty. "Instead, officials often fail to act on asylum applications and even put pressure on individuals to return to countries where they may be tortured, arbitrarily detained or killed. This has got to stop."

Chinese asylum-seekers, especially, have fallen foul of Japan's procedures. After the Tiananmen Square killings, many Chinese students in Japan who had played a prominent part in the pro-democracy movement were

told to return home, despite being at clear risk of serious human rights violations.

One such case involved Lin Guizhen who arrived in Japan in September 1989. Human rights lawyers were refused permission to meet Miss Lin for several weeks. When they were finally permitted to do so, she said that she had informed officials on several occasions during her detention that she wished to apply for asylum but had been told that she "had no right to be in Japan" and would be deported.



## China chided for 'excessive language'

# Patten leaves door open for more talks

FROM JAMES PRINGLE IN HONG KONG AND CATHERINE SAMPSON IN PEKING

CHRIS Patten, the Hong Kong governor, yesterday chided China for using "excessive language" in attacking his blueprint for political reform.

Speaking a day after a ferocious attack on the governor by Li Peng, the Chinese prime minister, Mr Patten said that no decision had been made on when to introduce his proposals for consideration by the Hong Kong Legislative Council.

Members of Hong Kong's executive council which is in effect, the governor's cabinet met yesterday to discuss developments since last week's gazetting of legislation to expand the franchise here. Speaking after the meeting, Mr Patten said he still hoped there would be discussion with China even after, as he put it, the "disappointing turn of events".

When asked about Mr Li's accusation that he had "perfidiously and unilaterally" crafted proposals to alter Hong Kong's political system in violation of previous Sino-British agreements, Mr Patten said: "Whatever the words used about Hong Kong and the Hong Kong government, we will continue to discuss the future of Hong Kong positively and constructively, and I don't intend to use the sort of language which has very often been used about Hong Kong by others."

"I want to work hard for Hong Kong, the Hong Kong government wants to work hard for the ordinary people of Hong Kong — it is their

interests we have in mind — and I am not sure why anyone would think their interests are served by excessive language."

Mr Patten also disclosed that no decision had been taken on when to table his blueprint to the legislative council, thus leaving the door open for further talks. Analysts said the earliest date for tabling appeared to be in two weeks after the council's debate on the budget.

"We discussed that," said Mr Patten, "and concluded, which I think is sensible, that we should take that decision having made a judgment on the measures that are before Legco [the legislative council] and having taken account of other developments as well."

In Peking, the official media prominently quoted senior leader Deng Xiaoping's daughter, Deng Rong, as blaming the British for the breakdown of co-operation over Hong Kong. This was widely interpreted as a message from her 88-year-old father, who rarely appears in public but is believed to have the ultimate say on China's Hong Kong policy. Ms Deng, a parliamentary deputy, also emphasised that her father remained in good health.

A further 32 deputies to the National People's Congress, which opened yesterday in Peking, published a statement calling on the Chinese government to "take all necessary contingent measures" on Hong Kong. According to sources, parliamentary depu-

ties are pushing hard in closed-door meetings for Peking to set up an alternative Hong Kong government on the mainland, in an effort to destabilise and weaken the British administration in the colony.

The Peking-run Wen Wei Po newspaper, published in Hong Kong, reported that Chinese officials were now meeting in Peking to decide what measures to take in retaliation for Mr Patten's gazetting of his political reform bill last Friday.

"Although the meetings are top secret, one thing is certain," the newspaper said. "They are not about how to get Britain back to the negotiating table; they are about what practical measures should now be taken."

The paper suggested that British business should be excluded from big investment projects in China. It added that Mr Li's attack on Mr Patten "was sufficient to show that Sino-British co-operation over Hong Kong has reached the danger point where it may break down completely."

Stockholm: Fan Li Chen, the Chinese consul-general in St Petersburg, and his wife have asked for political asylum in Sweden, according to the foreign ministry.

"He went to the police yesterday to ask for permanent residency. The police will carry out an investigation and then it will be handed over to the immigration board," a spokesman said. (Reuters)



In custody: the Rev Jesse Jackson being arrested in New York during a street protest against the detention of HIV-positive Haitians at the US Guantanamo base in Cuba

## Haitian leader tests Clinton's poll pledge

FROM MARTIN FLETCHER IN WASHINGTON

PRESIDENT Clinton was meeting Jean-Bertrand Aristide at the White House last night, but was expected to reject the exiled Haitian president's call for him to set a deadline for restoring democracy in his country.

Writing in yesterday's New York Times, Father Aristide said a US deadline was the only way left to convince the military regime which ousted him in 1991 that "the international community will not tolerate its unlawful and violent usurpation of power".

Haiti's first freely elected leader also urged Washington to freeze the international assets of the country's leaders and backers, to

annul the US visas and to use the US Navy to tighten the economic embargo on Haiti.

Mr Clinton agreed to the meeting to show support for Father Aristide, but it also served as an awkward reminder of his campaign pledges to support Haitian democracy and end the Bush administration's policy of forcibly returning Haitian refugees. He has yet to deliver on the first, and reneged on the second to avert an exodus of boat people.

Despite the support of Washington, the United Nations and the Organisation of American States for Father Aristide, there is no end in sight to his exile.

## Siege outlasts the Alamo

FROM BEN MACINTYRE IN WACO

THE continuing siege of the Branch Davidian cult in central Texas has already lasted longer than the siege of the Alamo, the 1836 battle which is fast becoming the second most famous stand-off in Texan history.

Cult leader David Koresh and his followers have now withstood attempts to dislodge them from their fortified compound for 17 days; by comparison Davy Crockett and the defenders of the Alamo held out for just 13 days before they were overrun by Mexican forces.

Some 184 volunteers defended the Alamo against at least 4,000 Mexican troops under General Antonio López de Santa Anna. The odds are roughly the same for Mr Koresh, whose force of 105 people, while heavily armed, is dwarfed by the surrounding federal agents in armoured carriers and battle tanks.

The FBI's tactics and those of General Santa Anna, however, are markedly different. The FBI is now attempting psychological warfare techniques, by cutting off electricity and shining searchlights into the compound at night, in its efforts to force the cult followers to surrender. The Mexican general, by contrast, had only one purpose in mind: the massacre of the Alamo's defenders, a feat which he duly accomplished on March 6, 1836, sparing only a handful of women and children.

But as the Mount Carmel siege drags on, the federal authorities — bored, frustrated and irritated to distraction by Mr Koresh's interminable preaching — may be leaning towards a "Santa Anna solution". "We're not here to be converted," FBI Special Agent Dick Swensen muttered at a recent press conference.

The FBI has repeatedly emphasised, for Mr Koresh's benefit, that it has enough firepower to flatten the compound, but insists that while at least 17 children remain inside no assault is contemplated. But pressure is mounting on the FBI to prove that it is still in control.

Mr Koresh has taken to using Morse code and banners to send messages to those beyond the compound, accusing the FBI of breaking off negotiations and demanding access to the press. The FBI has responded that negotiations are continuing, but the endless Bible study sessions with Mr Koresh are not.

What began as a botched

attempt to arrest Mr Koresh, in which four federal agents died, is turning into a public relations nightmare for the authorities as the days pass with little evidence that the religious zeal of the Davidians, or Koreshians as they prefer to be known, is waning.

Back in 1836 it was the single-minded fanaticism of the Texan defenders of the Alamo that drove General Santa Anna to distraction and mass slaughter. Davy Crockett, it might be noted, while not quite as unhinged as Mr Koresh, was nonetheless thoroughly eccentric. If Mr Koresh regards America's most celebrated frontiersman as a role model, he has not said so yet.

## Tell John Major what you think about Britain today

BRITAIN — WHAT'S WRONG? WHAT'S RIGHT? WHAT'S NEXT? This is the subject of the current Channel 4 series *Opinions*. The series will end with a televised public forum, held in association with *The Times*, at Central Hall, Westminster, on Wednesday March 24, starting at 7.30pm. The meeting will be broadcast on Channel 4 on Sunday March 28, the eve of John Major's 50th birthday.

Chaired by Vincent Hanna, speakers will include Alan Clark, the historian, former Defence Minister and first contributor to the series. Other participants will include the radical lawyer Michael Mansfield QC, Sheila McKelvie, of Shelter, Michael Winner, the film director, Professor Paul Kennedy, the author of *Preparing for the Twenty-First Century*, the Chief Rabbi, Dr Jonathan Sacks, and John Burrow, the Chief Constable of Essex.

If you would like to attend, please phone the 24-hour credit card hotline 071-344 4444, or complete and return the coupon below with your remittance. Tickets cost £10 (concessions £5) plus £1 postage.

## Protests mount as Natal wetlands come under mining threat

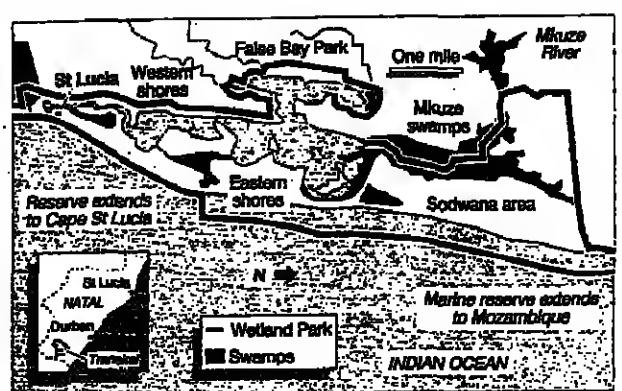
FROM MICHAEL HAMLYN IN JOHANNESBURG

SOUTH Africa's biggest environmental protest campaign comes to a climax tomorrow when an assessment is published of the effect of titanium mining on one of the most lovely and biologically diverse stretches of the Natal coast.

At stake, according to protesters, is the future of the St Lucia wetland park, a wildlife reserve roughly 60 miles long and 15 miles wide. The wetlands owe their existence to a stretch of dunes, 600ft tall in places, built and shaped by the wind and Indian Ocean currents over 25,000 years. They are said to be the tallest vegetated dunes in the world. They protect a freshwater

lake and beyond that marshes, and because of their height they deflect moist, onshore winds upwards, causing an unusual amount of rain in the area. In front of them is a marine reserve, warmed by a tropical current flowing from Mozambique. Behind is dry thicket.

Richards Bay Minerals, a company 50 per cent owned by Britain's Rio Tinto Zinc but which also has a South African government stake, wants to dig out the dunes for the heavy metal sand and contains the company promises to restore the dunes to their former glory in 17 years when the last titanium is extracted. The protesters scoff. How, they ask, can it restore the dunes which have taken thou-



sands of years to shape, and have a particular structure of dense-packed and loose layers which allows the water to leach through in many different ways and channels? "We don't say we can put back the

dunes exactly as they were," Barry Clements, the company spokesman in Richards Bay, said. "But sand dunes are in a constant state of change. Where we have restored the dunes further down the coast,

the hydrology works the same as it did before, the vegetation pattern is the same as before."

Dr Nolly Zaloumis, a Durban dentist, formerly on the board of the Natal Parks, is heading the campaign to prevent the mining. He and the country's leading naturalist, Ian Player (brother of the golfer, Gary), were dropped from the Natal Parks board last year. Dr Zaloumis is certain that the rape of St Lucia is neither necessary nor desirable.

Publication this week of the environmental assessment, which has involved 54 scientists under the auspices of the government's Council for Scientific and Industrial Research, will be the start of the final debate on the park's

future. The final decision will be made by George Bartlett, the mineral and energy minister, who is Natal provincial leader of the National Party.

Tens of thousands of postcards protesting at the proposed mining plans are being gathered at campaign headquarters around the country. Already one petition containing 360,000 signatures has been prepared, presented and virtually ignored.

They will urge President de Klerk to pass legislation protecting the wetland park, which the government has been sitting on for eight years since it signed the Ramsar convention (named after the Iranian town where it was drawn up) listing St Lucia as a protected wetland.



Life's a struggle, luvvies, when you find you're a part of the trend instead of ahead of it. But how do you get off the conveyor belt?

## Consumerism that says it all

There's nothing quite so annoying as thinking you're ahead of a trend, and then discovering you're actually right in the middle of it. This has happened to us *vis-à-vis* the country. Just when we thought we were making an escape from all that, the cottage, the car, the clothes, the hobbies, the accessories we've happily accumulated since we bought our small plot of Derbyshire two years ago — all, all are turned to fashion.

For about five minutes, we thought we'd been extraordinarily original when my husband swapped his black BMW for a navy blue Rover Discovery. Oh, how symbolic it seemed to have traded in the sleek, mean German machine for the high-up, spacey experience of riding in the Discovery — so useful for seeing over the hedges and rolling fields of Shepherd's Bush, or, I mean the Peak District. It was a necessity, after all:

the new pastel-coloured Mother-care baby seat did look somehow comic stuck in the back of the executive status symbol in the company car-park. And besides, the status symbol wasn't really working any more: I'd heard people were calling it a *salesman's* car. No, it had to go.

Then came the awful moment when we were watching the news, and Princess Anne's wedding came on — and there was the rump of the royal family disgorging itself from a fleet of Discoveries. We shrank into the sofa — oh, God, the teasing! Then, when we were listening to the radio driving back down the M1 to London last weekend, another piece of bad news hit us: Rover is increasing its

production of Discoveries to 700 a week! Churlish, I know, to be uncharitable about such a rare success in the British motor industry — but surely this can't mean that Discoveries are on the verge of becoming common, like the BMW? We're comforting ourselves with the hope that most of them must be going abroad.

Another thorn in the side: a few weeks ago, I went to a talk by the American marketing guru Faith Popcorn, who was over here addressing the Burton Group. She's the woman who coined the word "cocooning", the staying-home instinct that has created all kinds of new market opportunities for video, TV dinners, door-to-door deliveries, at-home fashion, and so



SARAH MOWER

on. Now she's spotted a new trend, and given it the ice-cream name: "wildering". In America, she says, there are all kinds of townies cruising round in four-wheel drives and dreaming of Big Country while they do their weekend shopping chores. I read, too, that

the Japanese are also crazed by L.L. Bean, which is odd since, culturally, they prefer their nature in small, exquisitely ordered packages, such as bonsai and rock gardens, rather than wide-open, chaotic spaces.

Still, who am I to sneer? Culturally, I am forced to admit that I'm an undignified hybrid between an eighties yuppie cocooner, and a nineties wilder, which I suppose is an ideal condition to be in for people who want to sell me things. After all, if we all went a-wildering for real, we'd cast aside the crutch of consumerism altogether — which is not what Faith Popcorn and her ilk have in mind, I think. No, the thing about me is, I do find I quite like the country, so

long as I can see it framed from a centrally heated cottage window, and always provided that I've got the right clothes, so as not to look silly, and assuming that the fixtures and furnishings that surround us are just so, according to my taste.

Did I say my taste? Another horrible experience, which I can scarcely bring myself to admit to, happened to me last week in Marks & Spencer. You see, I've always liked blue and white — fabric, china, wallpaper, everything — and I didn't mind so much when it became the height of simple rustic fashion in *The World of Interiors* — but suddenly it's all over the new M&S furnishing

catalogue. So what am I going to do now? I must get down to the Conran Shop for inspiration.

As I write this, I can't help thinking of my only friend who qualifies as a born-and-bred country girl. I'll never forget the look on her face when I turned up on the train to stay with her wearing a Jean-Paul Gaultier jacket and white Katharine Hamnett skirt in 1985.

Without saying a word, she drove me to the local general store and forced me, against my will, to buy a pair of gumboots, thus ruining my carefully cultivated fashion editor's image. Five years later, the first weekend we had her to stay at our Derbyshire cottage, she dragged us outside to take a photo. She was laughing so much she could hardly hold the camera. "Green wellies, I can't believe it!" she was cackling. Frances, this column is for you.

## Smouldering allure of the cigarette girl

Sir Terence Conran decided that his new restaurant needed some old-fashioned glamour. Alice Thomson reports on his novel solution

She shimmies through the crowded restaurant precariously balancing her tray on her delicate stomach. As you call her over to your table, her hips sway slightly from side to side (nothing too provocative). You notice that her nails are lacquered red to match her lipstick. She stops and smiles politely. And then with the efficiency of a croupier she whisks out your choice of cigarette from her tray, flicks back the seal and with those red talons taps the bottom so that two or three stand on end.

Or maybe it's a cigar you hanker after, in which case she will pick one out, roll it next to her ear to ensure it has not dried out, then bring it across the tip of her *retroussé* nose to smell its freshness, before slicing off the top and, from nowhere, producing a silver lighter.



Early model: Audrey Hepburn in *Laughter in Paradise*

the ultra-glamorous inter-war years, when being surrounded by a pale blue haze of cigarette smoke was sexy.

Which is why the cigarette girl has returned to London. She has been resurrected by Sir Terence Conran for his new restaurant Quaglino's which aims to bring glamour

back to the city. In the thirties and forties everyone took glamour for granted. There was always one restaurant swish enough, big enough and, well, glamorous enough to provide a showcase for London society.

But ever since the cigarette girls disappeared from Ann-

abel's, glamour has been out of fashion and would-be glitterati have had to take their mother-of-pearl compacts to Paris or New York in order to shine. In the eighties we might have had a workmanlike, glitzy glamour, but it was all behind closed doors and in the nineties glamour has definitely been out.

Kaethe Cherney, one of the three cigarette girls at Quaglino's explains: "I was expecting to find another stuffy club but when I came into Quaglino's it was so beautiful I knew I wanted to work here. It's like being aboard an old transatlantic liner. You're completely cut off from the rest of the world, wrapped up in glamour, and the guests all make an effort. I just love walking down that staircase and round those beautiful pillars knowing that everyone is watching me."

And it is easy to see what she means. When you walk into Quaglino's you can forget the recession and pretend that you are sipping cocktails with Lauren Bacall and letting Humphrey Bogart light your cigarette. Everyone is part of its escapist theatre.

The cast working on your fantasy is vast. There are 100 people front of house and 90 behind the scenes. Miss Cherney (all cigarette girls are Miss) was one of 400 girls who applied for the job. She comes from Manhattan and is an actress. "They were looking for someone with a direct personality who wasn't going to be tarty. The trick is to flirt a little but not let yourself be compromised. I talk about anything from architecture to cities and my costume," she says.

Like all the staff, Miss Cherney's outfit was designed by Jasper Conran. "It's very low-cut black velvet with a bed of tulle underneath, which makes your bottom lift up and is meant to reflect the piled up crustacea bar. I wear it with fishnets and my engagement ring."

But aren't cigarette girls just a little outdated and sexist for the nineties? "One woman said, 'How can you degrade yourself so?' Another asked,



Smooth operator: Kaethe Cherney, cigarette girl at Quaglino's. "The whole idea is for it to be a little camp"

"Does your mother know what you're doing?" But I just smile. The whole idea is for it to be a little camp and it is sad when people don't get the irony," says Miss Cherney. "It always makes a point of making eye contact with the woman first."

It is difficult to make Miss Cherney feel uncomfortable. "I've had a few rude comments from men which are unpublishable, but you just feel sorry for them. Some people joke that maybe con-

doms and chocolate would be more appropriate for the nineties — most of it is lighthearted." However she does not roll men's cigars between her fingers. "That does seem a bit obscene in this day and age."

She is also a little concerned she may be enticing people to smoke. "People call me over for the novelty and then feel they should buy a packet."

And what of the rest of the cast — the managers, head

walters, junior waiters, bearers, chefs and sous-chefs — all of whom are extremely decorative and most of whom are under 30?

Delfo Melli, a head waiter dressed in a black Armani suit, says: "The atmosphere here is different. This isn't just about eating food, although the food is very good. It's about performing and everyone getting the best out of everyone. It's nice to know that the guests bother to clean their finger-

nails and dress up, and we do the same."

The lavatory attendant, Kathy Jones is also in on the conspiracy. She watches the likes of Joan Collins powdering their noses every day and says, "I love checking out their wrinkles," admitting their clothes. "I'm saving up enough money to bring my parents and I'd like to run the place one day." As they say, anything can happen in Hollywood.

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## Joys of wearing dead men's clothes

Philip Howard explains how he finds himself in the height of fashion during a recession

THE fashion industry has finally caught up with those of us who wear second-hand clothes on principle. The smart new look for the young this year is called *Grunge*. This week's Italian fashion shows were full of a style called *Supertramp*. Some of us trend-setters have been wearing these genres for years, without exciting the attention of the rag trade hacks.

I used to argue with a *Times* fashion critic about the insubstantiality of her mystery, and she would shut me up by saying: "Nonsense, Philip. Whatever you choose to wear is making a statement of some kind." She then got her own back by designing a new evening-dress for me, with frills and tights, and publishing a photograph. I thought that her argument ignored the lack of choice in the lucky-dip process of groping for something to wear before dawn, if possible without waking the rest of the household to infant wails and puppy yelps. If it fits and feels clean, don't fuss about whether it matches.

Part of the reason for preferring second-hand may be thrift. Horatio, the thrifty, why throw away perfectly good clothes from a previous generation, which still have years of wear in them? If you are as big as I am, such garments do not grow on racks at Blessed St Michael's. So I have a smart dark-blue overcoat inherited from my father, and a magnificent Harris

Tweed overcoat, lovingly patched with leather at cuffs and elbows, named after its former keeper, General Gibb.

My dinner-jacket was manufactured for my grandfather at the turn of the century. When its facings became so green and tattered with age that they were attracting pitying looks instead of merely compelling attention, I took it back to its original makers, Hall Bros, in Oxford High Street. They were excited to find the original order to make it in their account books, three-quarters of a century before.

My smartest gent's suits and shoes have come from the old Moss Bros Dead Man's Department at Covent Garden, now turned into a Tesco's. "You mean the Special Officers Department," the door-keeper used to say, reproachfully. Fear not the clutch of an alien clutch or the boot of a dead foot. They have all been cleaned.

Nobody really needs a tail coat, unless he has a hole in the seat of his trousers (an accident that can happen to the best of us). But I went to a school where this uniform was compulsory, and King's Scholars, rightly deemed

as a knight at the lists as he bicycles to Lincoln's Inn) or I have been too short-sighted to escape from a grand dinner.

I am not sure what statement we second-hand dressers are making. Probably several messages at once. One of them is horror of shopping and having one's inner leg measured. A dresser friend was having tweed turned into a suit the other day, and the tailor said to him, lugubriously but with a sense of the longevity of his work: "Your terminal suit, sir."

ANOTHER reason is the one that Bertrand Russell gave to Alistair Cooke about the nastily turned out Anthony Eden, when he became prime minister. "Not a gentleman, dresses too well." We are hinting that we are above fine feathers and more interesting than our doppelgänger. Sam Johnson, a notoriously second-hand and egg-stained dresser, gave us our motto: "Fine clothes are good only as they supply the want of other means of procuring respect."

We are echoing the crowd in the table who said that his dark suit was better than the peacock's because it was made for all seasons, and did not moult or excite envy. With the recession and *Outfit* and other charity shops springing up in every high street, some of us have been surprised to find ourselves in the height of fashion. We always (secretly) knew we were.

Fear not the clutch of an alien clutch

too poor to buy the fancy dress new from the smart tailors in Eton High Street, had a college pound where we could scavenge for them second-hand, like gulls at the municipal tip. Mine records that it was made by Carr, Son and Wood of Cambridge in the last century. It is patched in as many different shades of black as ever Van Dyck caught on canvas, and its seams gape across my shoulders. But I still wear it when I get a chance to for weddings, to comfort the old friend that it is still valued. Charlie Douglas Home, my former editor, developed his fashion for second-hand at the same place. He used to snub the snobbier members of the Heythrop Hunt (a tricky comparative) by turning out in clothes that looked like the gardener's and an old yellow cardigan.

My full evening dress (tails with crinoline, lapels, as worn instead of morning dress by Americans and continental) is more than 50 years old, but pristine still, because it gets so few outings. It is called out only when Miles Kingston (who has acquired a part share in it, and looks as ridiculous



# Relax, it's only the White House

Never has the presidential home seen such informality, **Martin Fletcher** reports

On their first morning in the White House, Bill and Hillary Clinton were shocked to be woken by a steward as they lay in their double bed. The president and First Lady sent the hapless fellow packing.

When Annie Leibovitz, the celebrated photographer, arrived to take portraits of Mr Clinton in the Oval Office for *Vanity Fair*, she brought a boom box with her because she likes to work to music. "We've never had music in the Oval Office," a functionary told her as she tried to plug it in. No problem, interjected the new president. He happily posed to the sound of Eric Clapton.

Mr Clinton was elected on a promise of change, and in his first two months he has certainly brought it to the White House. Gone are the grey-suited sleepwalkers of the Bush administration's final year. The place buzzes with the energy, exuberance and informality of a college campus, and the president sets the tone.

In public Mr Clinton likes to appear presidential, but in private he pads around the Oval Office in a tracksuit, while Chelsea, his daughter, does her homework in the adjacent study. He has yet to appoint a chief of protocol. He is late for meetings. Where he can hug instead of shaking hands, he will. Socks, the Clintons' cat, has taken up residence in a corridor and Chelsea has friends back after school.

On his first trip to Camp David Mr Clinton took all his cabinet and senior aides with him, and to encourage "bonding", got each to disclose a revealing episode from their lives (he himself recalled how as a six-year-old he was mocked for being fat). He wanted to tear down some of the west wing's internal walls to encourage openness and accessibility, but was told that was impossible. However, he has opened up the White House mess, once the exclusive preserve of senior staffers, to the army of hip young idealists that have followed their leader to Washington.

Two thirds of the White House staff are in their twenties or thirties. The ban on girls wearing trousers has been lifted. Some of the men go tieless, wear sweaters and sport the odd earring. George Stephanopoulos, the 32-year-



Kick off your shoes: Bill Clinton with his daughter, Chelsea (and Socks, the cat) at his feet, watch this year's Super Bowl with the governor of New York, Mario Cuomo, and his wife Matilda (far right)

old communications director, has been known to blow bubble gum during interviews.

In the old executive building next to the White House, office doors are left open and large, egalitarian free-form meetings proliferate. The "children", as they are known, are not just issues freaks but hi-tech junkies with a particularly fine line in derisive for the antiquated computer and communications systems they inherited. Old Washington hands suddenly feel exactly that — relics.

The openness does have limits. The White House press corps are the enemy within, and their cramped quarters are hermetically sealed.

Mr Clinton evidently adores his new job. He is fond of recalling how this time last year the media were writing off his presidential hopes. He has brought John Kennedy's

desk back to the Oval Office where he loves to work till late at night. His head is so churning with ideas he has trouble sleeping. It is the policy wonkery, not the ceremony and deference, which gives him such pleasure, never more so than during the development of his economic plan when, in six-hour meetings, he minutely dissected a \$1,500 billion federal budget right down to grazing fees on government land. No one has yet found a policy issue, however arcane, that bores him.

Mr Clinton is tough and demanding on his officials, but occasionally the mask slips. When during the budget discussions Leon Panetta, his budget director, proposed a coast guard fee for sea rescues, the president and others

around the table became convulsed with laughter at the thought of a drowning man being asked for his Visa card.

Mr Clinton's self-confidence appears unshakable, even when his infant presidency was consumed by furors over his attorney-general nominations and homosexuals in the military. "It might be distracting you, but it's not distracting me," he calmly told reporters.

If the young president feels the pressure of his job, he rarely shows it. His poise when unveiling the economic plan in his first address to Congress last month was astonishing. The text of the most important speech of his life was still being written as his motorcade drove to Capitol Hill, and he ad-libbed whole chunks. It was "the oratorical equivalent of bungee-jumping", said one of the 30 aides who later that night were invited to celebrate

with cherry pie in the White House solarium.

Insiders claim that compared to the campaign, when his mood fluctuated daily, Mr Clinton is now almost serene. When a nurse at Chelsea's school wanted permission to give her an aspirin, the First Daughter replied: "Call my dad, my mom's too busy." The nurse did, and spent several minutes chatting to the president.

But being the free world's

leader does have drawbacks, lack of freedom being the most conspicuous. Mr Clinton had pizzas delivered from outside during one of the interminable economic meetings, but the Secret Service stopped

"Eagle", as he is codenamed, from eating any. On Valentine's day, when he and his wife slipped into a trendy Washington restaurant called Red Sage, all the other diners stood and cheered. The disruption caused by the pres-

ident's early morning runs on the "Mall" so infuriated commuters that a \$30,000 jogging track is now being built around the south lawn.

Mr Clinton sometimes pines for Arkansas. He yearned to watch a Little Rock basketball team play a recent game, but had to settle for watching it in the White House theatre with about 20 Arkansas members of his administration. "It was nice," Mack McLary, Mr Clinton's

chief of staff, said afterwards, "but it wasn't quite the same."

And how about this for a wistful story, as told by the president himself? In a White House corridor the other day he met a group going to meet Hillary. "I just walked out into this crowd and started shaking their hands. And the guy who was with me said 'Oh, Mr President, I'm so sorry that you had to deal with all those people'. I said: 'That's all right. I used to be one.'"

## Don't believe the gloomsters

Jonathan Clark answers the historian Linda Colley's view, in *The Times* last week, that Britain has slipped into decline

History has spoken: Britain is in decline. So, at least, says Linda Colley, emigre English historian at Yale, in a Channel 4 lecture and published in *The Times* on March 8. Great forces have produced a "deep despondency and division". Our national illusions about Protestant destiny, military might and irresistible success were created by a false history that still traps us in a syndrome of national decline, fearful of the EC because of a "deep uncertainty" about "who we are".

True history offers the remedy, she suggests: strip away the myths and embrace those sure recipes for national salvation — a written constitution, devolution, proportional representation, the abolition of the House of Lords, the reform of the monarchy, a bill of rights. It is all so appealingly simple. So simple that it was the leitmotif of that litany of complaint intoned since 1979 through the columns of the less independently-minded press. Only now we are assured that history vouches for the truth of this scenario.

According to the Yale version, "So much of what gave us identity and purpose in the past has simply ceased to operate". Parity this is a truism, for it was always thus. The English have long been convinced that their country was in decline, and that looked for scapegoats rather than question this major premise. The scenario of doom is at least as old as the loss of France in the Hundred Years' War (conquering Wales never quite made up for this). Sixteenth-century Catholics, thought Catholics at the Reformation. Seventeenth-century Englishmen recalled the triumphs of Gloriana with despair. "No good weather since the Revolu-

tion," said the Jacobites, defining 1688 as a sacrilegious national betrayal. "It is all over," agreed George III and Edward Gibbon after the loss of the American colonies.

The population was in steep decline, insisted the radical Richard Price at the end of the baby-booming 18th century. According to Gray's *Elegy* and Coleridge's editorials, the enclosure movement did for the rural idyll that was Old England. Or did it? One aristocrat waited until the 1832 Reform Bill to cut off his pigtail, exclaiming "Ichabod, for the glory is departed."

Yet it was Victorians on Dover Beach who gave Doubt its capital, and worried about economic decline and the weakening of the race. Kipling and Elgar caught the mood of a world empire in elegies which spoke to national guilt over power and exploitation.

The most famous English novel of the second world war was an over-the-top lament for prewar Oxford, "obliterated, irrecoverable as Lyonesse, so quickly have the waters come flooding in". Since the 1890s, economic commentators have reminded us off the top-nation perch. With unconscious bathos, Linda Colley gives us

the last variation on an old tune after 1979, the universals have never been the same.

Nostalgia was always England's reigning mood, underpinned by unexamined assumptions of national decline: simplistic reform has always been the beneficiary. Yet these laments seem hardly to join up with historical outcomes, however much we deny religion or disparage ethnicity, homogenise culture or flatten accents, the English, Scots, Irish and Welsh remain stubbornly different — they wish to say, remain themselves.

If nations are partly invented by their historiographies, we can take satisfaction in being the legacies of Brady and Hume, Stubbs and Gardiner, Acton and Butterfield, Maitland and Namier better than live in the societies shaped by the collective illusions that historians weave around the events of 1776, 1789, 1917 and 1933. English scholarship at its best found respectful ways of demythologising the national past: American, French and German scholarship at its most acclaimed (Bancroft, Michelet, Treitschke) relished the task of building up those myths.

History is a jealous goddess, and historians take her name in vain who print her endorsement on the latest

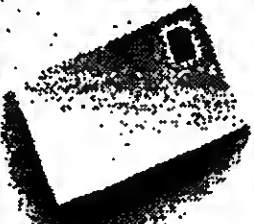
packet of political soapflakes. Are the Welsh and Scots unhappy? Give them self-government! The United Kingdom is a composite state built by the political union of disparate components. Does it have problems? Divide it back into its component parts! Has a single party won three general elections in a row? Break its power by proportional representation! The value of history to such readers is evidently to present a catalogue of cases richly deserving the reforms to which they are pre-committed.

They hold up these cases as "anachronisms", and here, perhaps, is the flaw. In a strictly historical sense, no institution or country is ever old or young, never before or after its time, all equally exist in Our Age. But they hold their place in our wholly modern present for reasons which are wholly ancient. So history demands awe before it licenses derision. The fear of ancestral gods is the beginning of hard-nosed, present-minded wisdom.

Linda Colley shows how new unhappiness takes old nostrums for the latest cure. But this state of mind is strangely unhistorical. The vintage of its vision of humanity is revealed in its culmination: give immense sums of money to the universities, and we will have a highly skilled workforce. Well, perhaps.

If clichés are in order, another might better apply to worried Britain: a nation that forgets its past is condemned to repeat it. But a nation that reduces its remembered past to a series of platitudes will not escape: it will only make the myth of decline a reality.

The author is a fellow of All Souls College, Oxford.



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## Alan Coren



■ The modern child should not have been forced to give up cigarette cards

A day or so ago, I bought a pack of Silk Cut, peeled its cellophane, flipped its lid, plucked its foil off, and gasped. Doesn't surprise me, the smug will cry, smoking seriously damages health, the poor sod cannot even open a pack these days without the effort of putting a major drain on his guttering constitution; but you are wrong, at least in the manner of the gasp. It proceeded not from exhaustion, but from bliss: for there, nestled flat against the fags, one thin edge peeping over the packet's rim with all the heady titillation of yore, was a cigarette card. I drew it out. It showed a carving-knife addressing a nut purple thread, but instead of the former bisecting the latter, it was the thread which cut deep into the blade.

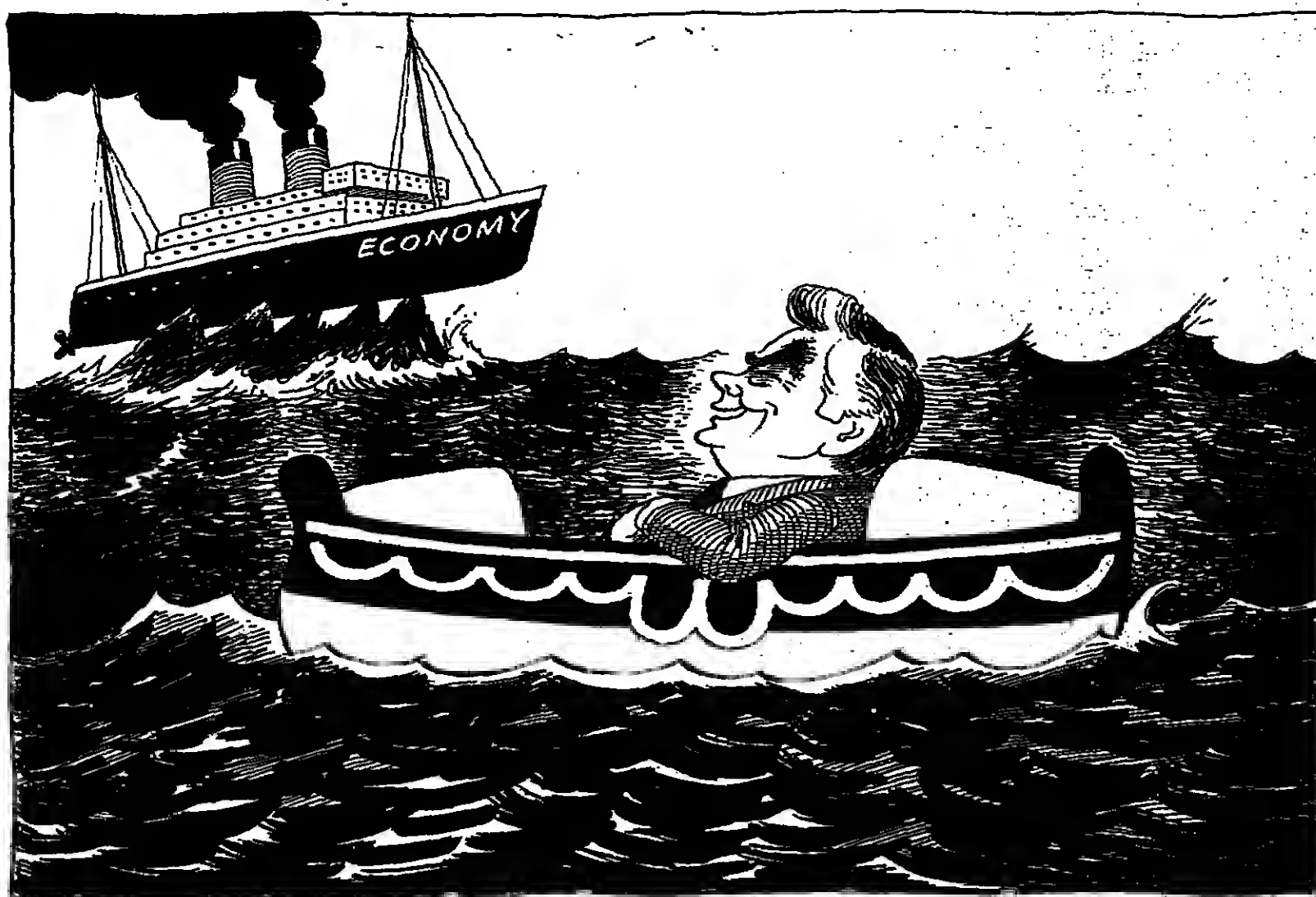
Oh joy, I thought. I know what this is, this is a conjuring trick, this will amaze my family and amuse my friends. I had a series of these once, an aeon ago, how to take an egg from your ear, how to push a pencil through a brick wall — well, I say series, I had 47. David Collingwood had the other three, but he wanted six "Kings of Speed" for them, including Rudolf Caracciola and Raymond Mays, nobody else in the world had those, they had cost me half a set of luminous dinosaur skeletons, shine a bedclothed torch on them, then switch it off, and you were back in the Mesozoic era, more or less — so I turned over the new cigarette card to find out how the trick was done.

It was a different kind of trick. The instructions said: "There are 20 different Silk Cut advertisements in these specially marked packs. Collect all 20 and claim £5." Aren't you glad you live in 1993? Who'd want to know how to take an egg from your ear, when he could have a fiver instead?

Anyone who had ever savoured the Golden Age of Pastebord is who. Forget nostalgia: education is the issue here. Care to test me? Ask me to draw *Tyrannosaurus rex*, I see him now, shimmering against the upper bedrock rate the bones. Invite me to ride off the kings and queens of England in sequence, and I shall throw in 200 words on each for good measure. Beg me for the RAC-rating of the chain-driven Frazer-Nash; or the top speed of the Isotta Fraschini Monterosa, and you will not see an eyelid bat. Need Wally Hammond's Test average, W.E. Gladstone's dates, the Dragon Rapide's wing-span, the *Mauretania's* displacement? Just ask. Alternatively, why not slide up to any contemporary ten-year-old, enquire of him the height of New Zealand's tallest mountain, and see how close he gets?

Nor was my education at the hands of Capstan and Woodbine purely academic. Cigarette cards were the set text in the University of Life. A whole generation learned to dance from a few square inches of Victor Sylvester, and when, today, besotted women press their lips against my footrotting ear and ask how it is that I have the reverse telemark off to such perfection, I tell them it is all because my old man was a smoker. Similarly, when opponents stand flatfooted as my cross-court backhand volley rockets past them, and cry: "My God, that is just how Fred Perry used to play it!", I simply smile and murmur, "I know, I know".

Family values? Nothing encouraged parental respect like flag-cards: the father or mother who was in a position to withhold Joe Louis from a child who already had 49 "Giants of the Ring" could get a lawn mown, a deal relative visited, a room tidied, with no more than a nod. As for making our own entertainment, dear God, we made our own books! Somewhere I have the albums still, unopened, dusty encyclopaedias containing a sizeable whack of all I have ever learnt. Pity the modern infant his notorious ignorance and unworldliness is down to nothing more than the disappearance of the cigarette card. Since schools are no longer places where pupils can converse to swap and pore, no wonder illiteracy and truancy are rife. That is what infuriates me about the chance Silk Cut have thrown away; what astounds me is that they did not appreciate what a trump the card could be. With the government under the cash to both ban cigarette advertising and improve education standards, here, surely, was a deal waiting to be done. Here was the swap of swaps, and Silk Cut have blown it.



LIFEBOAT DAY

Peter Brookes 17/III/93

# Make war, not forecasts

Budget-day loses much of its glamour if it is just a display of calculating power.

What is needed is a new interventionism

A calm, sensible Budget. Norman Lamont "got it about right". The aggregates duly aggregate. Yet I am intrigued that all budgets these days "get it about right". That master of spin-doctoring Lord Howe even got it about right in 1981. The reason is a tribute to open government. Chancellors and their advisers discuss budgets in advance with all and sundry, friend and foe alike.

Without the theatre of Parliament, budgets would be virtually depoliticised. A budget is one of the few decisions of government that is not taken on the hoof in response to events. It is considered, planned, packaged and presold. "Come into the Temple of Doom," says Indiana Jones to selected analysts. "Look at my choice: a pit of puff adders, a corridor of razors or a roller coaster with explosives." The analysts are flattered. They reel out of the temple with their "predictions". When these are gratefully confirmed they pat each other on the back and gasp, "He's got it about right".

Admittedly yesterday's Budget carried heavy personal baggage: the much-discussed future of the Chancellor and the prime minister. The resulting conundrums are fearsome. Was the Budget good enough to save the Chancellor? Was it good enough to bolster the prime minister? Or was it so good at bolstering him that he now feels strong enough to remove the Chancellor? Can the Chancellor now go with dignity? Or is he strong enough to stay but the prime minister not yet strong enough to remove him? Such is the talk on the Rialto, with the ducats falling rather on the last proposition. But this barely concerns the nation.

The Budget was the last of its line, to be usurped by a unified statement of public income and expenditure in the autumn. This is widely seen as a long overdue reform, mark of Mr Lamont's right status as a radical. But we must fear for any reform that falls so clearly into Francis Cornford's category of one "not done until everybody is convinced it ought to be done, and been convinced for so long that it is now time to do something else".

I sense there was virtue in the Treasury adopting two distinct modes, autumn and spring. In autumn it donned Mr Scrooge's top hat and fanatically refused another coal on the fire. In spring it put on its tweeds, sniffed the air and played family doctor. These are institutionally different personalities. Mix them and there is risk of confusion. Downing Street hopes that to cabinet

will be deterred from breaching spending targets when it knows that means instantly higher taxes. It may also hope that pigs will fly. Each minister will surely collude in higher taxes rather than sacrifice a pet spending project. Look at spendthrift Washington. I will take bets on the Treasury re-separating its spending and revenue statements before the decade is out.

But is economic policy really so tedious as to have become long lists of forecasts, imposts and cash limits, all going up and down like lights on a music console? Where is the "post-Thatcherite paradigm shift" about which we hear so much lately? The answer, as so often, is to be seen on the other side of the Atlantic. A deluge of advice is descending on the Clinton administration, after the failure of the Reagan-Thatcher consensus to deliver its central promises in the 1980s. It failed to deliver smaller public sectors — "a wedge of gently rising revenue" Mr Lamont now calls that sector. It failed to obviate the need for "stop-go" monetary policies. It failed to make the Western economies competitive with the Pacific Rim. It failed to yield freer trade. Economic theory takes no prisoners. When last autumn Britain left the ERM and Bill Clinton won his election, "neo-capitalism" was taken out and shot.

American policy (and not just American) is in thrall to a new platform of aggressive advisers, nationalists, interventionists, micro-economists. They say they believe in free trade, competitive markets and private capital, as Augustine believed in chastity, "but not yet". Laura Tyson, the chairwoman of Mr Clinton's council of economic advisers, preaches aggressive "market-opening" industrial interventionism, if necessary using tariffs and quotas. Alice Rivlin of his Office of Management and Budget wants to devote far more economic policy down to states and cities. She wants in effect to dis-integrate much of the Maastricht-style federalism of the United States

economy as an aid to local enterprise.

The economist Michael Porter's nationalistic but impeccable free-market *Competitive Advantage of Nations* argues that "national differences are at the heart of competitive success: nations prosper in industries that draw most heavily on unique elements in their histories and characters." He may not draw an interventionist moral, but others do. This month comes the latest essay from America's most perceptive post-war guru, Peter Drucker. His "Post-Capitalist Society" dismisses free-market capitalism as a useless description of a modern trading economy. To him, last month's debate in Britain about the status of manufacturing industry would seem archaic. Mr Drucker's economic challenge is to raise the productivity of the owners of "knowledge". But he realises the desperate need to raise the dignity of those left outside, who will increasingly be over-educated service workers.

This all means a new activism for government. Old-fashioned, even new-fangled, British budgets are merely for housekeeping. They are concerned with how government collects and spends public money and twiddles the monetary knobs. As Lord Howe has said, "nine-tenths of it is settled in advance". Given the informed state of macro-economic debate, discussion is tinkering at margins. Once certain policies are fixed, this could be delegated to an agency under the "seven wise men". They would index certain taxes to achieve a given revenue, adjust interest rates to market conditions and issue whatever embarrassing forecasts government statisticians feel moved to issue.

To the new economics, the Chancellor's "Budget" speech would not be about government accounts but about fighting an economic war. It would set out his policies for relentless reform of the "supply side". The simple bold aim would be to boost the international com-

petitiveness of Britain's visible and invisible trade. As Mr Lamont hinted in passing yesterday, this means more than just crushing trade unions and cutting top-rate taxes. It means studying the enemy, learning the lessons, good and bad, of industrial policies in Britain's principal rivals in Japan and Korea, France and Germany, America and Scandinavia. What makes their industry successful? Why is their labour pool so skilled? Why do they beat us at contracts? What do they protect from competition? Who gets subsidy and to what end? These questions imply what was anathema to Thatcherism, which preached a commerce that could "stand on its own feet". In the event there was not less government: its share of gross domestic product remained much the same throughout the 1980s. There was merely less active government, its custodians preoccupied with public spending. British industry was left a monument to ideological virtue in a world where vice prevailed. The new geo-economics is the economics of that vice.

His argument, says Mr Drucker, marks an end to the great simplicities of communism and capitalism. A nation state, he says, must retain its sovereignty and make it "bite" in world markets. Ms Tyson calls on governments to choose battlefields on which they can fight and win. Mr Porter points out that winning needs troops battle-hardened by fierce domestic rivalry. This in turn means constant government intervention, as impresario, purchaser, regulator, monopoly-buster, trade negotiator.

To borrow a phrase from Michael Heseltine, such government intervenes before breakfast, before lunch, and before dinner. But crucially it does so in ways mostly unfamiliar to subsidy-fetted governments past. Its time is spent breaking up cartels and monopolies, rewarding line managers, rather than yoo-hooing, backing "knowledge" industries rather than smokestack ones, showing confidence in local government and local enterprise. Budgets, new and old, are games Westminster politicians play with Whitehall pundits. They are the unattainable in pursuit of the unreliable. They enjoy colossal prestige but prestige directed at old-fashioned issues of taxation and public spending.

This is the paradigm shift. The best way to signal it would be to abandon the old budget conventions even more drastically, and put the Treasury and its budgets on a war footing.

## The shape of budgets to come

No more surprises this parliament, says Peter Riddell

It now scarcely matters who is Chancellor for the rest of the Parliament. Norman Lamont yesterday tied the hands of himself or his successor up to the next election.

Mr Lamont and John Major believe it is better to get the bad news out of the way as early as possible in the parliament. Economic recovery may be on the way, possibly at a slightly faster pace than expected in the Autumn Statement, but the main message of yesterday's sombre Budget was that the overall level of taxes is going to rise until after the next election.

The obvious parallel is with the March 1981 Budget, when sharp tax increases were announced in the depths of a recession. That action has entered Tory mythology — reinforced by the comments in the last few days of Geoffrey Howe and Nigel Lawson — as marking a turning-point.

This time, tax increases are largely for the future rather than the present: yesterday's measures are intended to be largely revenue neutral this year. But the political hope is the same by getting the announcement of the pain out of the way now, the Conservatives intend to leave scope for a lower burden of income tax, if not indirect taxes, nearer the election.

Yesterday's Budget was certainly not one to spark an early revival in the Tory party's fortunes, in spite of the concession on VAT for racehorse owners, aimed — probably fruitlessly — at the Newbury by-election. Tory MPs were last night bemused. There was praise for individual measures — for instance, reducing the burden on small business and helping the unemployed — but apprehension about the overall impact. Conservatives do not like higher taxes. So the talk was about a "bold" package, by which they mean it is likely to be unpopular with voters in the short term.

The need for tough action is clear from the public sector borrowing figures. These were as bad as feared: £50 billion in the coming financial year. Most of that is because of the recession, but possibly a third is not, and is the result of the government's decisions to increase spending before the election. The price of that relaxation will be paid for the rest of the parliament. Even after yesterday's announcements on tax increases, borrowing will decline only gradually.

The other implication is that the coming public spending rounds will be very tight. The long-term reviews being undertaken by Michael Portillo will have to affect some core programmes, notably social security, if total spending is to be held within overall targets.

Mr Lamont was blunt enough, but as usual, the real pain is revealed by the Red Book. To achieve the planned improvement in public finances, the share of taxes and social security contributions in national income will rise until the late 1990s. In the likely election year of 1996-97, the share will be nearly 37 per cent. This compares with less than 35 per cent when the Tories came to power in 1979.

In the process, Mr Lamont has had to bend or break — depending on your viewpoint — a number of promises made by ministers during the election campaign a year ago. John Smith last night highlighted Mr Major's specific pledge that he had no plans to extend the scope of VAT or to increase the burden of taxation. The extension of VAT to domestic fuel and power will be the most damaging electionally, however much it is given a green gloss in terms of fulfilling Britain's pledges at last June's Rio summit on climate change. Moreover, the proposed increase in employee national insurance contributions is a backdoor increase in tax rates of 1 per cent, however it is dressed up.

Mr Smith last night talked about betrayal and a cynical exercise by Mr Lamont. It certainly shows — what some of us argued at the time — that the election debate about taxes was largely a sham. The real choice was not between higher or lower tax burdens but who would raise them most and upon which groups. Mr Lamont was ingenious in his detailed proposals, notably in expanding the 20 per cent income tax band, but overall taxes will still rise.

All these proposals, and the length of the speech, overshadowed the better news about the economic outlook. Not that the Budget itself will make much difference compared with the withdrawal from the ERM six months ago, and the consequent fall in the value of the pound and drop in interest rates. There are, as Mr Smith said, still plenty of questions about whether there will now be sustainable growth and when unemployment will fall. But the recession now definitely appears to be ending.

The Budget is likely to do little for the government's immediate prospects or to raise the battered morale of Tory MPs, and it will be only a short-lived distraction from their agonies over the Maastricht bill.

Mr Lamont cannot be accused of courting personal popularity by his speech, apart from a couple of widely cheered attacks on Brussels interference and a populist jibe against newspapers. Yesterday's speech has not made much difference to his chances of survival, although paradoxically, by emphasising the bleak fiscal prospects he may have delivered the job less attractive. He may still deliver the first unified tax and spending Budget in late November, which he largely foreshadowed yesterday, because no one else wants his job, yet.

## Tax round, whip round

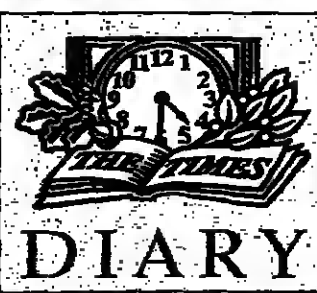
TRUE BLUE Tories in John Major's constituency have more than yesterday's tax increases to worry about. Having survived the poll tax, come to terms with the council tax and adapted to yet more VAT, the loyal members of Huntingdon Conservative Association now face a new fiscal burden — the birthday tax.

Huntingdon Conservatives are being invited to contribute £10 each to make sure that the prime minister's 50th birthday on March 29 does not go unmarked. It's an invitation, one suspects, that carries a three-line whip. The fund-raising exercise demonstrates the association's continuing devotion to its MP. Four years ago, to mark the tenth anniversary of Major's election, the association excelled itself by raising enough money to pay for a collection of silverware for John and Norma and a party for 300 people. This time it is hoping to raise enough to send its golden couple on a long get-away-from-it-all weekend trip — and possibly to bring them back again. The destination is a secret.

Peter Brown, who has been Major's agent for 12 years, is coy about the arrangements. "It is true to say that we are not going to let the event pass without a celebration," says Brown, who does not anticipate any groans from members about being asked to dig deep into their pockets. "I have no doubt his colleagues will support it. He really is very popular here."

It wasn't only Norman Lamont who was displaying signs of nerves yesterday afternoon. John Major, during prime minister's question time, was also feeling the pressure. Teresa Gorman, the Tory MP for Billerica, raised the question of food shortages in Kiev. Major expressed his concern and went to great lengths to stress his concern at other developments in Russia. Trouble in Kiev is in Ukraine.

Diplomacy needed IF Marmaduke Hussey does step down from his post as chairman of the BBC, who will replace him? It is, as one former senior corporation figure puts it, a "pretty difficult" position to fill, and not an opportunity everyone would jump at. Hussey's mistake, say insiders, has been to see himself as "the



chief executive of a big business rather than a constitutional sovereign". For an example of the perfect chairman, they say, look no further than J. H. Whitley, who as chairman from 1930 to 1935, behaved like a "wise old monarch". But then they would, wouldn't they? If this patrician style is preferred, Lord Owen, as reward for his endeavours in Yugoslavia, might be a popular choice. So too might Douglas Hurd, if he ever decides he has had enough of being foreign secretary, or Lord Howe, who already has. Two Liberal Democrats — Sir David Steel and Sir William Goodhart — could also be in the frame. However, if a more active style is deemed desirable, that could favour Lord Palumbo, who is due to leave the Arts Council next year.

Jeremy Isaacs, currently director of the Royal Opera House and a former chief executive of Channel 4, or Baroness O'Cathain, managing director of the Barbican arts centre in London. But the early inside money is on Sir Kenneth Bloomfield, the BBC national governor for Northern Ireland. A corporation source says: "He is tough, shrewd and humorous. He is liked by both the board of management and the governors. He is au fait with the issues and he has seen how not to do it."

Presumably because of a lack of gate to lean on, John Birt duly made his orchestrated return to Broadcasting House yesterday morning, under the watchful eye of an army of journalists, photographers and camera-crews. Mean-while round at the back door, quite unnoticed by the world's media, another entrance was being made. It was Marmaduke Hussey. You don't get to be chairman without learning a trick or two.

Blanket coverage WHEN it comes to guaranteeing a place in the chamber for the Budget speech, Dame Elaine Kellett-Bowman does not take any chances. For the second year running, the Tory MP for Lancaster

bedded down outside the chamber door, under a blanket, on Monday night, so ensuring her usual seat in the chamber in the second row behind Sir Edward Heath. "Age doesn't come into it. I don't need much sleep," she says. "Haven't done since I was working on the farm in the day and studying for the Bar at night."

Thoughts for Penny

AS Norman Lamont worried over his Budget at the weekend, John Major was at Chequers booking his place in history by confiding in his biographer, Penny Junor. It was Junor's fourth interview with the prime minister and she "covered" Maastricht, the ERM, his childhood and his marriage. Major's willingness to be interviewed repeatedly, and the very length of the interviews (the first, on New Year's Eve, took three hours) has forced Junor to delay publication of the book from April until September. "With all the new material, I did not have a hope in hell of finishing it by April."

Junor regards Major as "enormously likeable" and "very honest", and says his libel action against the *New Statesman* has come as an "enormous relief". Everyone I talked to before mentioned the alleged affair — not only

journalists but a lot of MPs too. I wouldn't have been able to ignore it. His issuing the writ has done me an enormous favour. Now I do not even have to mention it."

One of Lord Healey's most treasured possessions from his days as Chancellor is the Budget speech from spring 1979 — which, of course, he never had the chance to deliver. He was thwarted by the fall of the Callaghan government and Mrs Thatcher's victory. "It has never seen the light of the day," he moans, "which is a shame as it really was rather good. If I say so myself." Healey, however, is still reluctant to reveal its contents. "It might come in useful. But I might reveal all... if the price is right."







## A TAXING DAY

The cost of the government's mistakes has proved high

If "the Budget is the message", as an American commentator once said, Norman Lamont was a powerful messenger for the government yesterday. He succeeded in restoring some sense of determination to a cabinet that for months has seemed to be drifting purposelessly from drama to drama. With a rigour not seen since the early days of Margaret Thatcher's medium-term financial strategy, the Chancellor of the Exchequer set out a rolling programme that stretched further than Conservative ministers have grown used to raising their eyes. He found tax increases for the future that ought not to threaten recovery now. He gave strong hints that if these were not enough, he would find others.

Dissatisfaction will be distributed widely. The prices on the coming tax bills reflect a recession whose length and depth is a continuing reproach to past governmental failures. But at least the direction ahead is now clearer. If, as frequently predicted, this is to be Mr Lamont's last budget, his legacy will be one of both deep pits and credible escape routes. That is better than seemed likely last September.

There will still be awkward political questions to answer. In his approach, he has borrowed heavily from the example of an America in which Bill Clinton has discovered an unexpected preparedness for sacrifices. In Britain the response may not be the same. Last year the electorate voted for a party that promised lower taxes than the Opposition. With other aspects of economic policy then constrained by membership of the exchange-rate mechanism, tax provided the main point of difference between the parties. Promises have now been broken like pie-crusts. Labour could reasonably take the Conservatives' election billboard, a picture of a timebomb with the slogan "Labour's tax bombshell", and replace the Labour name with that of the Tories.

John Smith did not seem like so imaginative a fighter yesterday. The prime minister, by contrast, looked like a man who has seen the depth of the hole he is in and has decided to kick his way out. Before Mr Lamont began his Budget, Mr Major had already given the House of Commons a good sense at question time of who was in charge. His smile was almost one of bestowal security. It is some months since that could be said.

The battles ahead will be long, and their

political cost to the Conservative party is as yet incalculable. The "party of low taxation" risks losing much of its appeal unless the chief secretary's coming assault on public spending is even more radical than promised. The damage done by the recession to public finances seems to worsen with every official forecast. If the estimate of a £50 billion public-sector borrowing requirement for next year turns out to be true, then the lingering damage to the public purse has been worse than anyone realised. As recently as four months ago the Chancellor was talking of £44 billion.

There was insufficient criticism in Mr Lamont's speech. His praise for the deflationary effects of ERM membership rang very hollow. But the Chancellor did produce some mainly sensible methods of cutting the deficit while keeping the recovery alive. He managed to find large sums of revenue for future years from a wide disparity of sources, most of which deserve their fate. Even more important, he set out these tax increases in a way that should avoid scaring consumers from spending money now.

Mr Lamont was right to restrict the married couples allowance to the 20 per cent rate; there is no reason why the rich should gain more from marriage than the poor. Equally, it was a good idea, if somewhat timid, to restrict mortgage interest tax relief to 20 per cent. He would have done better to announce that he would abolish it on new mortgages and phase it out on existing ones, starting from next year.

It is logical and lucrative to impose VAT on domestic fuels. The social security secretary must, however, act to mitigate its effects on the poor. The only irrational measure was to increase employees' national insurance contributions. Apart from the simple need for revenue, the Chancellor provided no good reason for this move. National insurance must still eventually be consolidated with income tax.

Mr Lamont sounded yesterday as if he believed the recovery was securely under way. He cannot take this for granted. There was no interest rate cut to accompany the Budget. He must be prepared to loosen monetary policy further if consumer confidence falters. As for his own job, by setting his strategy out so far into the future, he has at least made the chancellorship a little bit less exciting for potential successors.

## TRAINING FOR RECOVERY

The unemployed should use their time more productively

As well as "a Budget for sustained recovery", said Norman Lamont in his peroration yesterday, this was "a Budget for jobs". With Gillian Shephard, the employment secretary, sitting at his side, the Chancellor announced plans to help 100,000 currently unemployed people to come off the register. The business start-up scheme will provide 10,000 more places. Another 30,000 long-term unemployed will be paid to educate themselves. A community action programme will take on 60,000 long-term unemployed. The government will experiment with temporary subsidies to employers who hire people who have been out of work for at least two years. And training and enterprise councils will be able to bid for an extra £25 million.

The danger of all such schemes is the law of unintended consequences. Community action programmes, for instance, must not displace people already in jobs by substituting them for cheaper labour. That would reduce spending power in the economy without cutting the number of unemployed. Employers who take on the long-term unemployed for a subsidy must be increasing their workforce, not merely laying off other, more expensive, workers.

As long as such abuse is prevented, the principles behind these efforts are sound. The problem for most people who have been

out of work for more than a few months is that they lose self-esteem, they become disengaged from the labour market and they forget the disciplines of work. The community action programme, which sensibly relies on a small incentive rather than compulsion, will help to address these corrosive effects by reintroducing the unemployed to the world of work and instilling a sense of structure, motivation and achievement.

But these schemes will help just 3 per cent of the jobless. More needs to be done, mainly by integrating the work of the departments of education and employment. While demand for labour is low, those who are out of work should spend the time productively, learning skills that will be needed when the economy picks up. At the moment, most unemployed people are penalised by the withdrawal of benefit if they choose to educate or train themselves while they wait for a job. In an economy that increasingly relies on human capital, this is absurd.

More unemployed people should be helped to acquire skills, either by subsidising employers or by allowing them to attend vocational courses in the further education system. This will inevitably require some extra public spending. But it should be seen as investment. As the economy grows, it will bear fruit in faster growth, increased competitiveness and higher tax revenues.

## VALUABLE VOICES OF LIBERTY

Now is the time for a new era of microphone diplomacy

There were many causes of communism's collapse in the east. One was certainly the work of the US broadcasting stations Radio Free Europe and Radio Liberty, which transmitted into Eastern Europe and the Soviet Union, breaking the communist monopoly on daily information.

Now that the Cold War has apparently been fought and won, Bill Clinton seems determined to close down the Munich-based stations, or at least merge them with the inferior US government broadcaster, the Voice of America. The president should think again.

The Munich stations were infants of the Cold War and were funded in the 1950s and 1960s by the Central Intelligence Agency. Their primary mission in those days was to destabilise communism. That role changed somewhat in the 1970s, when Congress shifted control to a bipartisan independent board. Radio Liberty and RFE are now financed from federal funds, and to the budget-payers in the White House, they may seem like an easy saving.

The huge influence of the stations should not, however, be squandered. Surveys of listeners show an audience of millions of people every day. Even the most advanced of the Central European reforming states have suffered political infighting over the control of state television and radio; few post-communist governments want to surrender

such valuable political assets. Objective radio transmissions, funded from abroad, can quickly gain new listeners in such a climate.

In the communist days, RFE and Radio Liberty won their spurs in times of fast moving drama. Coups and crises are still on the agenda of the post-communist world. That should be reason enough for keeping alive the Munich stations with their running costs of only £160 million.

Moreover, as the former RFE director Mr George Urban pointed out recently, there are still important battles to be won in Eastern Europe. Although communist rule has crumbled, the old elites are by and large still in place in the former Soviet Union. A communist mentality still grips many decision-makers. After 70 years of ideological pounding, the citizens of Russia need every possible exposure to new ideas.

There is a strong case, indeed, for extending the RFE-Radio Liberty network. The former Yugoslavia was not included in the original catchment area of RFE, since Yugoslavia was outside the Soviet bloc. That was a mistake which could now, even with limited funds, be rectified. War propaganda and distorted reports from both Croatia and Serbia have been heating up the conflict. Creating a Balkan service would go some way towards removing this source of tension. The time has come for a new era of microphone diplomacy.

## Questions raised by Birt issue

From Mr Tudor Lomas

Sir, I am not "too cowardly" (letter from John Simpson and others, March 15) to voice in public some of the questions about John Birt that are concerning many of us who work for the BBC and care passionately about its future. I am a staff TV producer, and have been a BBC journalist since the early 1970s (for much of that time as a freelance).

Why are we being told, mainly by those who've done well under Mr Birt, that he is the only man for the job? What does he offer that would not be provided by such apparently more-qualified candidates as John Tusa, Michael Grade or Jeremy Isaacs?

How should deeply committed, professional staff react to the news that the man deciding their futures, and making many of them redundant, was far less committed to the BBC than they have been?

For 18 months after Mr Birt was created director-general designate in summer 1991, he failed to arrange how and when he would join the BBC staff. Why? In his letter to *The Times* on March 9 he states that:

"In the late autumn of last year, when the first discussions about the terms of my contract as director-general began, the BBC's stated preference was that I should become a member of staff."

When Sir Michael Checkland decided to leave at Christmas — before the end of his term — the handover was accelerated. And because of the intense pressure of business, these contractual discussions had not been concluded.

This fails to address the point.

The BBC has a privileged position in Britain because it is committed to providing the highest standards of broadcasting. It is vital, therefore, that the BBC should be led by a man or woman who is driven by that particular vision. John Birt's financial dealings have darkened the shadow already cast over his credentials by the circumstances surrounding his appointment and his track record.

Yours faithfully,  
TUDOR LOMAS,  
Heldre Cottage, Collards Lane,  
Haslemere, Surrey.  
March 16.

From Mrs Fay Weldon and others

Sir, The BBC is the face of the nation abroad and the mouthpiece of its aspirations at home. It is therefore important that we address the larger questions.

John Birt's tax arrangements were legal, and apparently cleared by Inland Revenue, but he has conceded that on becoming director-general he ought to have joined the staff.

Change in public institutions is always difficult, as jobs are threatened and familiar structures disappear. The director-general is not paid to be popular, but to be effective. He has already proved himself clear-headed, honourable and decisive at a difficult time for the BBC, when its income is falling in real terms and its future uncertain.

In such circumstances it is up to the board of governors to stand by their initial judgment and not encourage or allow John Birt to resign.

Yours faithfully,  
FAY WELDON, ANNAN,  
HARRY ENFIELD,  
ELIZABETH ESTEVE-COLL,  
RICHARD EYRE,  
GERMAINE GREER,  
BOB HOSKINS, PETER JONAS,  
ADRIAN NOBLE, DAVID PUTTNAM,  
NICOLAS SEROTA,  
JOHN WOODWARD.  
As from: 24 Ryland Road, NWS.  
March 16.

## BBC pensioners

From Mr Reginald Turnill

Sir, The BBC pensioners, of whom there are about 12,000, not 40,000 as stated in your report (March 9), will want to know more details about the three loss-making farms owned in their name.

Since it was formed five years ago the BBC Pensioners' Association has been seeking to be represented on the pension trust fund.

After four years and Maxwell, the BBC conceded the principle that the pensioners ought to be represented but continues to find all sorts of procedural reasons to prevent it actually happening.

Yours etc.  
REGINALD TURNILL  
(BBC Aerospace Correspondent, 1956-76),  
Somerville Lodge,  
Hillside,  
Sandgate, Kent.  
March 9.

## Knowing the score

From Mrs Val Logan

Sir, If Sir William Ascher's idea (letter, March 12) of issuing theatre programmes with tickets booked in advance is not practicable, surely cast lists could be displayed outside the theatre booking office? I have always felt that the price of the ticket should include, at least, a knowledge of the cast. Some theatres already do this (e.g. the Theatre Royal in Glasgow). What about the rest?

Yours faithfully,  
VAL LOGAN,  
1990 Mayhill Road,  
Glasgow.  
March 12.

## LETTERS TO THE EDITOR

1 Pennington Street, London E1 9XN Telephone 071-782 5000

## Obstacles in the path of leaseholders

From Mr Nick Raynsford,  
MP for Greenwich (Labour)

Sir, Lord Rees-Mogg's tirade (March 11) about the Housing and Urban Development Bill is a convenient smokescreen to conceal what is in effect a last-ditch defence of ancient privilege and vested interest.

The landed interests have tried to emasculate the bill with onerous qualifying conditions and wide categories of exemption so as to create daunting obstacles in the path of would-be enfranchisers.

The amendments which Lord Rees-Mogg supported in the House of Lords would, if passed, have created even more obstacles. The exemption of charities may appear a reasonable and altruistic cause, but only by confusing the charity's source of income with its charitable objectives.

Charities like Smith's, cited by Lord Rees-Mogg, which draw their income from residential leaseholders, are no different in that respect from commercial landlords. They are obliged by charity law to maximise their income from their leaseholders and do so. Far from using their lettings to assist people in necessitous circumstances, Smith's Charities have been granting leases to companies, many of them based overseas.

Excluding such leases from entitlement to enfranchisement as Lord Rees-Mogg suggests would create ever greater obstacles in the path of the remaining residential leaseholders. In many cases this exclusion would make it impossible for them to obtain the support of two thirds of the leaseholders required before enfranchisement is permitted.

Leaseholders who enfranchise will have to pay the market value for acquiring the freehold, often on properties whose value has already been paid many times over to the freeholder.

I fear that further legislation will be essential before Britain finally gets rid of this particular relic of feudalism.

Yours sincerely,  
NICK RAYNSFORD,  
House of Commons.  
March 11.

## Religious education

From Dr Stephen Orchard

Sir, When one of your correspondents of March 4, Mr Chowdhury-Best, chides the Archbishop of York for not saying something definite and positive about morality I suppose it is only fair for two others, Dr Calver and Mr Hines, to cite, respectively, "pale Christian demagoguery" and religious worship in schools as the cause of prejudice and hatred in children.

However, for Mr Hines to ask schools to teach "a moral viewpoint based on the human values which civilised people share", is rather begging one of the questions which good religious education addresses, that is, the relationship between what people believe, whether it be a religious faith or not, and their behaviour. "Civilised people" often turn out to be "me and some people like me".

The real problem in religious education is the lack of timetable space and teacher expertise, leading in turn to the lack of esteem for the subject, matters which have been well documented in official and private research.

Yours sincerely,  
STEPHEN ORCHARD  
(Director, Christian Education Movement),  
Royal Buildings,  
Victoria Street, Derby.  
March 4.

From Mr A. Watkinson-Trim

Sir, Dr Calver's spirited epistle seems to ignore the distinction between "religious instruction" and "religious education" — and thus to confuse the enforcement of religious practices in schools with the academic study of religion.

May I assure him that there is no place in the modern teaching profession for "pale Christian demagoguery" but plenty of room for the

## Access to legal aid

From Mr Richard Southern

Sir, Lord Donaldson of Lynton (letter, March 3) rightly suggests that the Lord Chancellor should consider ways of giving greater advisory assistance to the litigant in person as one way of increasing access to the courts for anyone not eligible for legal aid and unable to afford recourse to the legal profession.

It is not generally known that an individual litigant may sue or defend in person in the High Court, and may conduct his or her own case, but that under O.S. r.6(2) of the Supreme Court rules a corporate litigant must use a solicitor and therefore also only has a right of audience through counsel.

This is in contrast to the county court, where a corporate litigant is able to sue or defend "in person", and with the leave of the court (almost invariably given these days) an officer of the company, such as a director or the manager or company secretary, may appear in court on behalf of his company.

In these recessionary times many small businesses involved in substantial disputes are denied recourse to the courts because their dispute has to be

From Sir Andrew Lloyd Webber

Sir, Mr Michael Watson (letter, March 10) fears that if leaseholders are able to buy their freeholds the appearance of central London squares could be ruined.

Happily, his fears should be groundless. Under the 1967 Leasehold Reform Act many properties on the Grosvenor Estate were able to be bought by their leaseholders. I once owned the freehold of such a property and a condition was that I had to sign an intelligent agreement with the Grosvenor Estate that the property would be maintained in a similar manner to the neighbouring properties under an administrative scheme run by the estate.

Such a scheme could surely operate in all cases where leaseholders buy their freeholds under the government's proposed legislation.

Yours faithfully,  
ANDREW LLOYD WEBBER,  
The Really Useful Group,  
22 Tower Street, WC2.

From Lord Finsberg

Sir, I am surprised that the usually well briefed Lord Rees-Mogg based much of his article upon his view that the Housing and Urban Development Bill, which was promised in the Conservative manifesto, was a socialist measure.

He overlooks the fact that there was a well attended debate — in which I took part — in the House of Commons in the March before the general election. Virtually all who took part were in favour not only of enfranchisement but also of commonhold. It was therefore in no way an election bribe because both major parties were pledged to act.

Lord Rees-Mogg tells us that he has not been a good anender in recent months because he is, he says, often defeated. It might be fairer, if he could bring himself to admit it, to acknowledge that force of argument often prevails against minority reasoning.

Yours etc.  
FINSBURG,  
House of Lords.

rational study of the ethical inheritance and philosophical assumptions derived from our nation's Christian history.

Recent tragic events have shown how far the Christian ethos of our society has been rejected by the young. Attacks on the place of religious studies in our schools serve merely to deprive our children of their one opportunity to understand the issues involved.

Yours faithfully,  
ANDREW WATKINSON-TRIM  
(Head, Department of Religious Studies),  
King Edward VII School,  
Lynham, Lancashire.  
March 4.

From Mr Eric Stockton

Sir, It is hard to fault the views expressed by Dr Calver and Mr Hines that religious observance be banished from publicly funded schools. Observance is properly the province of the churches and kindred bodies and, of course, where desired, the family.

But it is surely undeniable that all sorts of religions are part of our world, and education on the subject of religions is a necessary part of general education. Only a denominationally neutral school can be expected to do this fairly and also to pay due attention to non-religious perspectives (which are also just as much part of our world).

Moral education is about the shared values that make a plural society feasible and it should be taught, in school and elsewhere, with doctrinal impartiality. It is important that morality should survive the possible disengagement from religion which many people naturally experience as they grow up.

Yours faithfully,  
ERIC STOCKTON,  
West Cote, Sanday, Orkney.  
March 8.

litigated in the High Court rather than the county court.

In the case of a business run by an individual or partners who cannot afford legal fees and do not qualify for legal aid, one of those individuals can conduct the case in the High Court; but if it is run by a company which cannot afford legal fees, it is ineligible for legal aid and has no choice in the High Court but to throw in the towel.

Access to the courts should not depend on whether a business is owned by a company or by an individual or partners. The High Court could, by a stroke of the pen, increase access to the courts by revoking O.S. r.6(2).

Yours sincerely,  
RICHARD SOUTHERN,  
Manor Cottage,  
Low Road,  
North Tuddenham,  
Dereham, Norfolk.  
March 8.

Business letters, page 31

Letters to the editor should carry a daytime telephone number. They may be sent to a fax number — 071-782 5046.

## Small businesses and bureaucracy

From Mr S. Alper

Sir, I run a conference and banquetting centre together with a vineyard, so perhaps my experience is not typical. However, I list below the departments and offices we have to deal with (most of them reasonable and helpful) divided into two categories: time consumers and cash consumers.

Time: Customs & Excise (VAT), Customs & Excise (excise duty), Wine Standards Board, health & safety officer, fire officer, Ministry of Agriculture (returns for the vineyard), PAYE, annual return for entertainment earnings — not to mention a constant flow of enquiries about the affairs of employees from the benefits office, the unemployment office, the national insurance contributions office, the PAYE office and even the legal aid office.

Cash: Cambridgeshire County Council rates, entertainment licence, alcohol licence, the Performing Right Society, Phonographic Performance Ltd.

Individually, these demands are not arduous but collectively they are a burden. Could not the government simplify them?

Yours faithfully,  
S. ALPER,  
Chilford Hall, Linton, Cambridge.  
March 15.

## 'Mad cow disease'

From Dr J. T. Done

Sir, Despite the recent bout of press excitement, supported by pseudo-epidemiology, about "mad cow disease" (report, March 12) all the latest relevant information, including the minister of agriculture's note put in the House of Commons library (and available to the press) last December, indicates that BSE is under control in Britain.

This is not to imply that BSE is about to be eradicated, in the strict scientific sense, or that nothing more could be done to accelerate the decline of the epidemic. But we should not rush to throw more money at "research" without some real idea of what we need to know, and what we might do when we know it.

Instead we should set up proper independent, authoritative social-risk/benefit studies on strategies for dealing with BSE and scrapie (in sheep) and put these in the public domain.

Yours faithfully,  
JACK DONE,  
3 The Oaks, West Byfleet, Surrey.  
March 13.

From the President of the British Veterinary Association

Sir, Suggestions of a link between BSE in cattle and CJD (Creutzfeldt-Jakob Disease) in man, forecasting impending catastrophe, are invalid. Since cows do not infect other cows with BSE and as shepherds do not catch scrapie from sheep I prefer to believe that BSE is a cattle disease. That it is extensive is not in doubt.

May I, on behalf of the many members of the profession who are currently much occupied with BSE, say that we are far more productively deployed on the farm, and especially now at the abattoir, monitoring animal health, safeguarding animal welfare and ensuring that quality meat passes into the food chain rather than having to respond to fictitious, damaging and costly statements made by non-veterinary experts.

Yours faithfully,  
F. ANTHIDNY,  
President,  
British Veterinary Association,  
7 Mansfield Street, W1.

## Famine in Sudan

From Mr Shadrack E. Munisi

Sir, I watched with the gravest concern on television this week the emaciated pictures of human suffering and starving to death in southern Sudan. It is a pity that humanity has left these people to perish.

It is not that food is not available in other areas of Sudan. But the shortage of food in southern Sudan is mainly to be attributed to the incompetence of the Sudanese government, unable to transport and distribute food from one area to another where it is needed most.

Yours faithfully,  
S. E. MUNISI  
(Chairman),  
Pan-African Book Foundation,  
25 Sunbury Lane, SW11.  
March 9.

## Hedging ahead

From Mr Michael Robinson

Sir, Mr Robin Tilley (letter, March 15) writes that, after the training of 14 people from the villages of Clapham and Patching with a grant from West Sussex County Council's "Innovation fund", 100 yards of hedge-laying were completed this season, and that 300-400 yards may be accomplished next. If this speed were able to be maintained, almost all the hedgerows of Sussex should be completed by the year 2093.

Yours faithfully,  
M. H. ROBINSON,  
2 Foundry Close, Bridport, Dorset.  
March 15.







## OBITUARIES

## HAROLD SOREF

**Harold Sorel, right-wing political activist and Conservative MP for Ormskirk, 1970-74, died in London on March 14 aged 76. He was born in Hampstead on December 18, 1916.**

**A SELF-STYLED** latter-day imperialist, Harold Soref was always in the thick of the ideological battle between left and right, whether as a standard-bearer for the Junior Imperial League at Oswald Mosley's riotous meetings in the 1930s or fleeing from an Oxford Union meeting to avoid the angry attentions of a mob of left-wing students in the 1970s.

In between the two, particularly dramatic, he was a vice-chancellor of the right-wing Monday Club, chairman for 20 years of its Africa Group (its most active arm), an ardent campaigner against Harold Macmillan's "wind of change" in Africa and an indefatigable spokesman in the tabloid press and in letters to *The Daily Telegraph* against all manner of affronts to public sensibilities. Had he had the strength, he would have been participating vigorously in today's comprehensive and rising tide of violence and pornography, against which he had so often warned.

In the pre-*Thatcher* period, when such talk was less than fashionable, Harold Soref spoke out — at times eloquently — against what he saw as a regrettable tendency to provide public platforms for organisations supporting terrorism, the closed shop imposed by trade unionists and what he considered the sympathetic treatment given by broadcasters to revolutionaries, squatters and other left-wing activists. Drugs, anarchy and filth, he said, were no substitute for national pride, faith and hard work, which alone could provide a healthy and prosperous community.

Such sentiments were a good deal less acceptable in the 1970s than they might be today. Indeed, so extreme were some of his views, particularly on Britain's responsibilities in southern Africa, that his influence on

public debate was marginal at best. His viewpoints en masse seemed almost a caricature of reactionary thought. Predictably, he favoured the repatriation of coloured immigrants and opposed allowing into Britain the Asians expelled from Uganda. He lambasted the BBC for what he regarded as its left-wing bias and for the way he believed it slanted the news in favour of revolutionaries, demonstrators and unofficial strikers.

Harold Sorel was the son of a pioneer in Rhodesia and was educated at St Paul's School and Queen's College, Oxford. He served with The Royal Scots and the Intelligence Corps in the second world war and from 1955 to 1988 was managing director of Sorel Brothers, the family merchant shipping business. In between these activities he was a journalist and author, editing a prewar public school magazine and, in 1947, founding the *Jewish Monthly* which he edited until 1951. He travelled frequently and extensively, and in 1961, at the height of the troubles in the Congo, he escaped from Katanga. In a graphic account of what he described as the hatred between blacks and whites which, he said, was being exacerbated by the United Nations troops there.

After contesting Dudley in 1951 and Rugby in 1955, he was elected Conservative MP for Ormskirk in 1970. He was active in Anglo-Jewish affairs and was a founder member of the Conservative Commonwealth Council, the Anglo-Rhodesian Society and the Anglo-Zimbabwe Society.

The decolonisation process in Africa was of particular concern to Soreff. He expounded the conventional right-wing argument that neither whites nor moderate blacks wanted to see what had taken 70 years to build from the jungle destroyed overnight by a policy of too much haste in political advancement. He thus opposed sanctions against Rhodesia and was a vociferous supporter of the Ian Smith government. In South Africa, he said, alternative



government would inevitably be a Marxist revolutionary regime, and be condemned the government and charities for funding African Nationalist guerrillas.

Britain, was becoming a "Tom Tiddler's ground for expatriate revolutionaries and trouble-makers" and he called for the accelerated deportation of foreign agitators and the barring of such potential visitors as American

black power advocates, the "Yippie" Jerry Rubin, and the German-born student activist Rudi Dutschke.

Sorel's reactionary views were as comprehensive as they were consistent. He spoke out about the poor quality of service on British Rail, the Post Office and the National Health Service and the overmanning and over-paying in the newspaper industry.

In 1971, when liberal sympathies

were in the ascendancy, he was one of a minority of Conservative MPs who believed the Heath government should give a stronger lead in opposing liberal trends of morality. He took issue in the House of Commons with the then home secretary, Reginald Maudling, who, in answer to MPs' concerns, said he detected a change away from the growth of pornography, and believed people were beginning to turn away from violence and degrading sex and to rediscover the joys of love and human emotion.

Harold Soref was not convinced. With the "permissive effusions" of the BBC and sex education films, he said, it was "hardly surprising that 11-year-old girls needed abortions and that there was an alarming spread of venereal disease". The country was in danger of "subsidising blasphemy and obscenity through the Arts Council."

Marginal though his views may have been, in the tense political temperature of the time he was a ripe target for left-wing anger when he was invited to speak on the subject of immigration at a meeting of the Oxford University Monday Club in May 1974. The National Union of Students had decided earlier to break up night-wing Conservative meetings and 40 minutes into his speech Sorel was forced to flee out of the meeting-room and across a wall when a mob of about 20 gate-crashers disrupted the gathering.

A few months earlier he had lost his parliamentary seat, at least partly due to the effects of boundary changes, and he never found a constituency to fight again. One further drama befell Sorel. When one of his neighbours, a businessman, was shot and killed in November 1974 Scotland Yard detectives decided it was a case of mistaken identity by IRA gunmen and that Sorel had been the real target.

Seven years later he resigned from the Monday Club, having lost confidence in what he considered the graceless style of its political leadership. Sorel was a bachelor.

**ANTHONY  
BOWLES**

**Anthony Bowles, composer and musical director, died in London on March 16 of an Aids-related illness aged 61. He was born on September 12, 1931.**

AS THE original musical director of some of Andrew Lloyd Webber's early hit musicals: *Joseph and the Amazing Technicolour Dreamcoat*, *Jesus Christ Superstar* and *Evita*, Anthony Bowles is credited with an influential role in the initial success of the Webber-Rice style of show which, in the view of many, saved the British musical as a form of popular entertainment. Bowles also had a career as a composer in his own right with such musicals as *Mandrake* and *Love in the Country*, and he orchestrated a number of other works.

number of other works.

After leaving Amersham Grammar School at 16, Ben was hired as a pianist for variety shows at the Royal Hippodrome, Eastbourne, before studying at the Royal Academy of Music (1948-53). He then spent three years as a schoolmaster in London before getting a series of jobs as pianist or repetiteur in small shows. He got his first real break in 1956 when he was appointed musical director for John Cranko's *Cranes* (featuring among others, Anthony Newley), which ran in London and on Broadway.

Thereafter he was much in demand both for stage and film productions and his range as a musical director was extended when he became associated with the early

shows from the Lloyd-Webber-Rice team. He was musical director for *Joseph and the Amazing Technicolour Dreamcoat*, the pop cantata which took British audiences by storm in 1968, long before its apotheosis as a full blown stage musical: *Jesus Christ Superstar* (1971); and *Evita* (1978).

His own work as a composer was on a smaller scale, and was, on the whole, confined to smaller audiences: *Shuu up and Sing* was produced for RADA in 1960 and *Excuse Me for Living* by LAMDA (where Bowles was music director, 1963-73) in 1964. *Mandrake* (Criterion, 1970) was a combination of medieval jongleur-style humour and the giggles of risqué Victorian revue. *Love in the Country*, originally written for the Royal Opera House, was produced by students of the Guildhall School of Music production in 1974 while among other shows which Bowles orchestrated was *Fire Angel* (Her Majesty's, London, 1976) – a version of Shakespeare's *Merchant of Venice* set in the New York underworld.

Bowles also taught at the Guildhall School of Music and had had periods as musical director for many major houses, including the National Theatre, London (1966-7), and the Stuttgart Ballet Theatre (1973-4). Among his film work was the musical direction for *Isadora*, directed by Karel Reisz and starring Vanessa Redgrave.

As a tribute to Bowles, his musical *Love In the Country* will be staged at the Almeida Theatre, London, next month.

**THE REV ROBERT  
WICKHAM**

**The Rev Robert (Bob) Wickham, headmaster of Twyford School (1937-1963) and influential figure in the preparatory school world, died on March 7 aged 87. He was born on June 14, 1905.**



THE fourth Wickham to become headmaster of Twyford School, Bob Wickham was both an innovator and traditionalist who believed the importance of teaching science as much as the classics to his prep-school pupils.

Robert George Wickham started his own education at Twyford, where he was contemporary of Richard Crossman, before going on Winchester where he became close friends with Hugh Gaitskell. He later read history, an exhibitioner at Hertford College, Oxford, and the theology at Wycliffe Hall, before being ordained in 1929.

After eight years on the staff at Marlborough, during which he was part-time chaplain to the Duke of Devonshire and also to the local gentry, he became headmaster of Twyford. The school, whose probable origins date back to 1680, has been attended over the years by Alexander Pope and Hubert Parry.

Much modernisation was needed. There were only 3 boys in the school when Wickham arrived and virtually no future bookings. When he retired in 1963 it was necessary to enter a child's name before his first birthday for a place to be assured. Brian Trubshaw of Concorde fame spent two terms with the new headmaster and vividly remembers Fred, the one-legged lamplighter (there was no electricity), while Douglas Hurd, an early entrant in Wickham's time, has the warmest recollections of his youthful humanity and of the kindness of his wife Betty.

After years spent overcoming first the wartime problems of rationing and air-raid warnings — the school is only 12 miles from Southampton

— and then the normal peace-time problems, humdrum and fascinating, of a headmaster's life, teaching classics and scripture, Wickham was catapulted to prominence on a wider stage. Following a provocative speech he made at the 1957 Conference of the Incorporated Association of Preparatory Schools, he was elected to the association's council. He was fully involved in the first curriculum document, "Foundations", in which a science syllabus was recommended, and was to later play an important part in the introduction of science teaching to preparatory schools. Chairman of the council of IAPS in 1963 and 1964, he went on to serve as its vice-president from 1976 onwards.

Wickham was forward-thinking on education and saw the way that things should necessarily go. He had the gift of making himself an expert in a subject which he had taught informally throughout. But he was also a modest man and always glad to listen to what others had to say. He set high standards without insisting on them but those around him found it natural to follow his example.

He married, in 1932, Betty Porter who died in 1972. Their son David survives them and served as headmaster of Twyford himself from 1963 until 1983, the fifth of his name to hold that position.

## PERSONAL COLUMN

Third Reich. Throughout this grueling experience Bauer stuck to his story that he had been nothing more than Hitler's senior chauffeur.

Baur finally returned to Germany in October 1955, settling in a research arm of the army in Bavaria, where he lived until his death.

His wife predeceased him; he leaves four children.

**Ricardo Arias Espinosa**

A FORMER president of Panama, Ricardo Arias Espinosa, died on March 15 aged 80.

The country's third presi-

dent in a fortnight, Arias Espinosa succeeded President Cantera who was assassinated at the races in Panama City in January 1955. A newcomer to politics, his tenure was distinguished and he was re-elected in the 1956 elections by Ernesto de la Guardia.

# TERROR DURING LAST YEARS OF STALIN

## REPORTED SPEECH OF MR. KHRUSHCHEV

BONN, March 16


According to reports from Communist sources which reached here today, a bitter attack on Stalin was made by Mr. Khrushchev in a three-and-a-half hour speech to the security session of the recent congress of the Communist Party of the Soviet Union in Moscow on February 25, the day before the congress ended.

During the session, which is reported to have lasted until 3 a.m., Mr. Khrushchev is said to have painted a vivid picture of the regime of "suspicion, fear and terror" which prevailed under Stalin, especially in his last years. The decision to throw open the terrible secrets of the Stalin era is stated to have been reached because it was felt to be the only way of breaking the magic of the "Stalin cult" which had gripped Soviet citizens for 30 years.

An edited and slightly shortened version of the speech is said to have been produced for

# ON TH

## March



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a secret document is  
prepared from Stalin  
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Mr. Khrushchev is  
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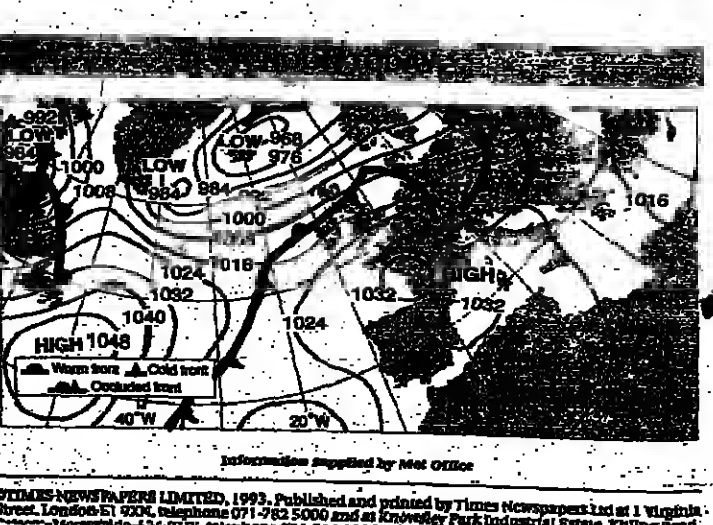
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uchinsky in 1937.  
and Zhdanov were on  
4, Stalin had sent a

telegram to Mr. Molotov, Mr. Malenkov, and  
others saying that Stalin and Zhdanov had  
decided that Yagoda was not coping properly  
with his work as Chief of the N.K.V.D. and  
should be displaced by Yezhov. A coded  
telegram followed from Stalin shortly after-  
wards, ordering that the opposition should be  
"physically annihilated," which was a favour-  
able expression of his, and thus the great purges  
had begun. Mr. Krushchev is reported also to  
have said that there was suspicion that Stalin  
was implicated in the murder of Kirov. ...

Even the members of the Politburo lived in  
fear when they were summoned by Stalin.  
They never knew whether they would return.  
Once Marshal Bulganin is stated to have told  
Mr. Krushchev that he had been called to  
Stalin's *dacha* (villa) and did not know  
whether he would end up at a reception or in  
prison; Stalin dealt with his subordinates by  
shouting at them.

Towards the end of his life Stalin had  
considered Marshal Voroshilov a British spy  
and had refused to let him take part in the  
work of the Politburo. In the same period Mr.  
Molotov had been placed under house arrest  
and displaced as Foreign Minister by Vyshinsky,  
though he retained the title of deputy  
Prime Minister. Mrs. Molotov was under  
arrest for a considerable time ...









## RENT OR BUY? 37-40

Agents find a market coming to life again



## ARTS 41-43

Restoring the glory of Wren's Observatory



## SPORT 48-52

Darren Hall primed for centre stage

HOW MR MOP CLEANED UP £4 BILLION  
Page 35

# THE TIMES

2

WEDNESDAY MARCH 17 1993

## City cautious over advance in borrowing target to £50bn

Oil companies, stores, construction groups and distillers were seen by the stock market as most likely to benefit from the Budget and car dealers are optimistic

By GEORGE SIVELL, MARTIN WALLER AND MICHAEL CLARK

THE City last night welcomed the Budget as being good for the medium-term outlook but while traders welcomed the proposed revenue increases, some big investors were unsettled by the Chancellor's public borrowing calculations.

Mark Cliffe, chief economist at Nomura, said: "The Chancellor's tax-raising measures are clearly aimed at soothing concerns about the burden of gilt funding in the medium term. The risk in the pre-announced tax increases is that they will adversely affect consumer sentiment and jeopardise the hopes for recovery."

Both the gilt futures and the cash market fell by about one point after Mr Lamont forecast that public borrowing would reach £50 billion in 1993-4, against expectations of £44 billion. With the FT-SE 100 index closing down 3.1 points at 2,919.3, after an early eight-point gain was lost, shares are likely to fall when the market opens this morning. The pound held steady at a fraction under DM2.40.

Oil shares rose sharply on the abolition of petroleum revenue tax (PRT) on new North Sea fields and a reduction in the rate on existing fields from 75 to 50 per cent. British Petroleum rose 9p to 295p, Shell Transport and Trading 2p to 580p and Enterprise Oil rose 5p to 492p by the official close.

Fergus MacLeod, an analyst at NatWest Markets, said: "It looks like a windfall for the big old [North Sea] fields." To compensate for the abolition of PRT, a range of tax allowances on new fields will also go. BP was the biggest payer of PRT last year but was last night still recalculating the change. Analysts reckon on a rough cash flow benefit of £130 million a year to BP.

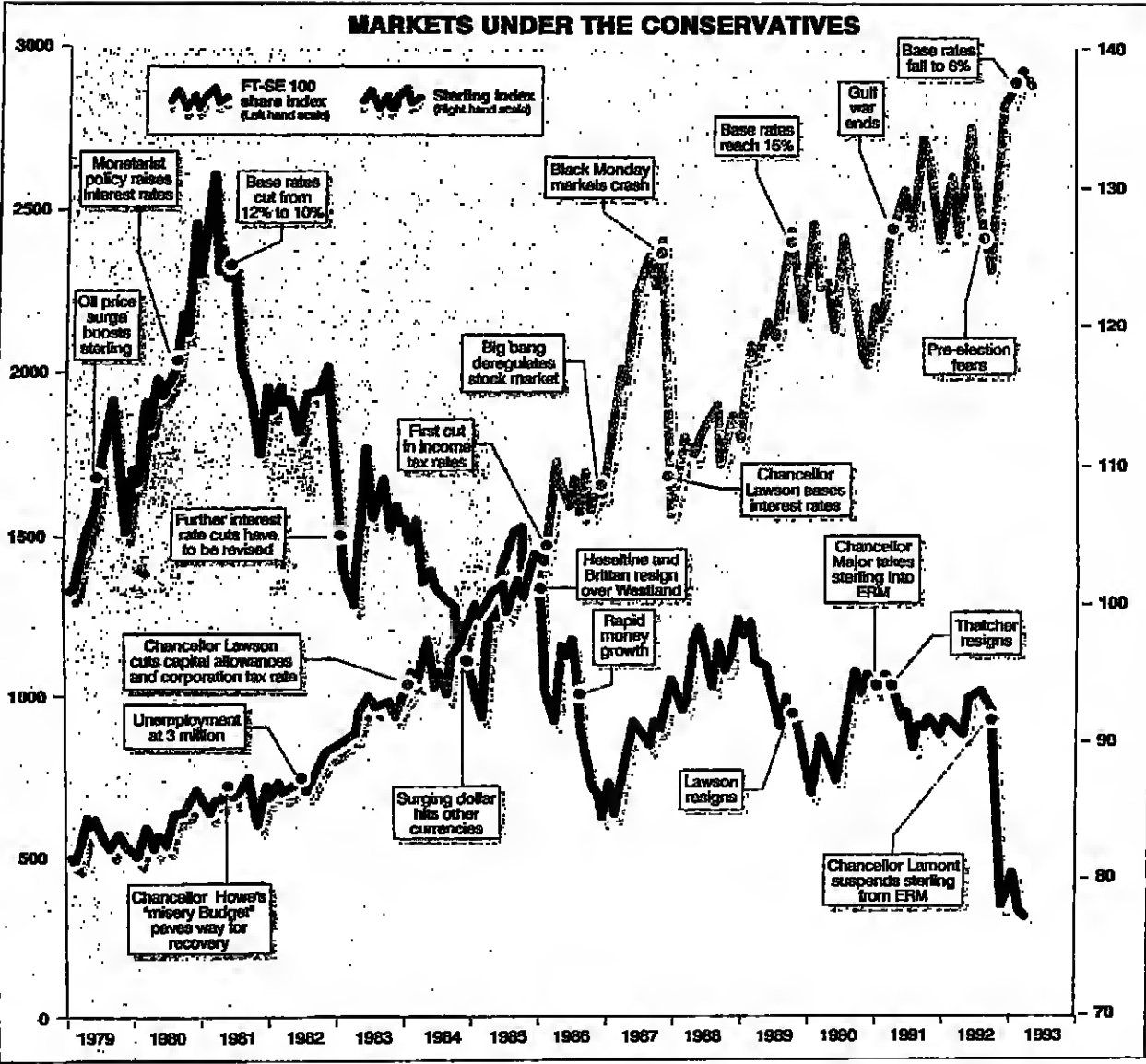
While brewers were unhappy at beer and wine duty increases of 5 per cent, shares in distillers rose after the decision not to raise taxes on whisky. Guinness rose two thirds of its profits from spirits and the shares rose 15p to 495p. The company reports full-year results tomorrow. Among the independent distillers, Invergordon Distillers was 9p ahead at 275p.

Building and construction issues advanced in anticipation of increased spending on infrastructure. Stores improved with companies like WH Smith, recently depressed by the threat of a widening in the VAT net to take in books and newspapers, recovering 10p to 445p. Car dealers and motor component issues were unmoved by the expected increases in petrol and vehicle excise duty.

International conglomerates and oil and gas companies will benefit the most from the changing advance corporation tax (ACT). The new regime allows dividends to be paid out of foreign earnings. This will reduce the burden on foreign-earning companies as it will entail no ACT payment. However, it will leave shareholders with their own tax liability on the dividend, as the dividend will come with no tax credit.

Companies with the largest unrecouped ACT problems at present are Hanson, BAT, Trafalgar House and Lonrho. Imposition of VAT on domestic fuel bills is unlikely to affect gas consumption in a big way, analysts said. Plans to impose VAT on domestic power bills should have little impact on profits of regional electricity companies, analysts said, while consumption patterns were unlikely to change in face of the new levy. "In any event, they [electricity companies] will be passing on the charge in full," one analyst said.

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## Airtours loses fight for Owners

By MARTIN WALLER  
DEPUTY CITY EDITOR

AIRTOURS has suffered a humiliating rebuff in its hostile £290 million bid for Owners Abroad, its rival holiday tour operator, after a last-minute sale of shares by an institutional shareholder.

Airtours had gained acceptances from 43 per cent of Owners' shares as the bid closed yesterday afternoon and was left with a holding of about 8 per cent of its quarry, built up during the bid, which has now formally lapsed. A close result had been expected but most City commentators had been forecasting an Airtours win. Those expectations were frustrated by Monday's market raid on Owners shares by Thomas Cook, which had already made its own tender offer for 12.5 per cent of the company as part of a proposed link between the two businesses.

Part of the 8.4 per cent of Owners that Cook gained from the raid came from Garmore, the fund manager with a 7 per cent holding that had been widely expected to accept Airtours' offer. Garmore informed the stock exchange yesterday it had sold a third of its stake on Monday. Those shares went into the Cook holding and appear to have been sufficient to frustrate Airtours' ambitions to control as much as a third of the British holiday industry.

Owners shares fell as the result became known, ending 12p lower at 126p; while Airtours dropped 11p to 327p. David Crossland, chairman of Airtours, said he was disappointed by the success of the "spoiling action" by Cook and his German partner, LTU. He added that, given the last moment share sales, "more than half the shareholders in Owners Abroad have effectively shown their unwillingness to support the company's future direction." Howard Klein, the chairman of Owners, said his board greatly appreciated the vote of confidence received from shareholders.

## Relief at funding change

By JANET BUSH, ECONOMICS CORRESPONDENT

THE change in the government's funding rule was greeted with relief in the gilt market but there was disappointment that the Chancellor did not give the rule changes more teeth.

The full funding rule, introduced in the 1980s, has meant that the government finances its deficit solely by selling gilt-edged stock to pension funds, insurance companies and private investors. Under the new arrangements, purchases of gilts by banks and building societies

will be counted as funding, opening up a large potential source of new buyers. This will help the government to finance the PSBR without pushing up its borrowing costs and those of industry.

Some of the £5.5 billion of gilts bought by banks this year will be counted retrospectively as funding.

However, the monetary authorities made clear yesterday that the government still intended to fund the PSBR fully and that only the definition of the "funding sector" had been

changed. Purchases of gilts will be strictly voluntary and many operators in the gilt market see no reason why banks and building societies should buy more gilts now than before the funding rule was changed.

The gilt market has rallied strongly in recent weeks, anticipating the abandonment of full funding, and the news went some way towards mitigating the shock of a much greater official forecast for the PSBR in the coming fiscal year.

## In a cul-de-sac without a road map

AFTER the feral abacus — Paul Keating's term for his defeated opponent — meet the house-trained abacus. Norman Lamont is not the first Chancellor to deliver a long, dull speech; and this was not in any case the longest on record, even if it must have been, at just one joke in over an hour and a half, the dullest. But Chancellors always need watching most closely when they are boring. It is nearly always a smoke screen to blur the outlines of something embarrassing, and the subtlety here was really quite exciting. By the time he sat down, Mr Lamont had quietly ditched every doctrine successive Conservative governments have held dear, and put nothing in their place except a vague idea of common sense.

Remember the Thatcher covenant? Inflation was simply a matter of controlling the money supply, a rule proclaimed by Professor Milton Friedman (and misapplied by the Treasury). Fiscal policy was derived from Mr Micawber, via the Good Housekeeping Institute: live within your means is the whole of the law. Both were modified under Nigel Lawson, after they had led us into the first Conservative slump. Broad money had proved quite uncontrollable,

so its place was taken by very narrow money and, after some years of nagging, by an exchange-rate target. Fiscal policy still aimed at broadly balanced accounts, but these were now cyclically adjusted accounts; and in due course the definition of balance drifted away from the housewife's cheque-book stubs towards the less demanding, IMF-approved objective of checking any (cyclically adjusted) trend for the national debt to grow.

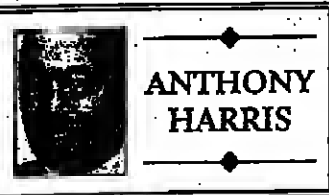
This was a long way from the old simplicities, but there was still something quite clear for the markets to steer by. Weak sterling was bad news, a falling national debt good news, and while economists might argue about the adjustments, everybody knew roughly where we were and what the government was likely (electorally adjusted) to do about it. The rest is recent history. Exchange-rate policy ran into what might be called the Irish difficulty — "If you want to get there, I wouldn't start from here." In other words, if you want to target the exchange rate,

and the government's determination to cut interest rates, and we were ready for a fresh start. Now if you believe that being Chancellor means never having to say sorry, a fresh start is a problem; but it surely ought to be soluble. Blame the Germans for the trouble with the exchange rate, proclaim export-led growth, and say we are pretty happy with where we are now and intend to settle in the neighbourhood. Lamont on starting: not a single word. On money, there was not much to live down, but setting a slack four-year target for money growth is much the same as having no policy at all. On fiscal policy again, it is difficult to get round the fact that we are in a hole because Messrs Major and Lamont dug it, but any experienced political campaigner knows the answer to that: proclaim the way forward with never a backward glance. The Chancellor

may have thought he was doing that, but in truth a squeeze which will fail to cut borrowing to 3 per cent of GDP (the minimum plausible debt stabilising rate) despite three or four years of sustained growth does not look like a strategy; more the minimum first step of a man who wants to leave real unpopularity to his successor. The whole Budget, indeed, is based on nibbling at our problems. The house-trained rodent abacus.

Oddest of all, the one really important reform — the abandonment of the insular British belief that the government can never borrow from the banks — is dressed up as a merely technical change, though in fact it is a major measure of disarmament. For decades, the Bank of England has tried to discipline Whitehall with the threat of horrors in the gilt market; under the new rules, that threat has lost much of its credibility.

That, perhaps, is the real trouble. As policies have gone wrong and old rules proved unworkable, we have retreated more and more to the oldest rule in British politics — the man in Whitehall knows best. And Mr Lamont could hardly say that, could he?



ANTHONY HARRIS

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FUTURES PAGER



**Maintenance work:** Paul Lester, chief executive, is keeping the dividend at 10.9p despite a fall in earnings

BY CARL MORTSHED

**GRASEBY**, the electronics group, is to raise £17 million and reduce its borrowings by floating off Graseby Andersen, the company's American subsidiary.

The group, which has balance sheet gearing of 99 per cent, announced a fall in pre-tax profits to £1 million, from £7.5 million, in the year to December, after losses of £5.8 million on disposals, taken above the line.

Earnings fell to 1.3p from

8.7p a share. Adjusted to eliminate the exceptional loss, the per share figure is 8p (11.9p). Despite the fall in earnings, Graseby, of which Paul Lester is chief executive, is maintaining a 10.9p dividend.

The American subsidiary is to be listed on Nasdaq after an initial public offering in which new shares will be issued to finance Graseby Andersen in addition to the sale of shares by the UK

parent, which will remain the majority shareholder. Graseby Andersen's main business is manufacturing air pollution control and monitoring systems.

Group turnover fell from £109 million to £103 million during the year, with sales of defence electronics down to £14.7 million (£37 million).

Profits from defence of £6 million in 1991 collapsed to £300,000 due to delays in large orders. The loss of the

ference market has been partially offset by good performances in medical technology, which increased sales by 11 per cent, and in instruments, which contributed operating profits of £4.2 million compared with £1.3 million in the previous year.

Tace, the environmental controls business bought in 1991, helped boost environmental sales and increased profits in the division by £1 million.

**THORN EMI**, the music to lighting group, is to pay £2.65 million to former shareholders in Thames TV who accepted its £149 million offer for the company in February 1991. The 17p a share payout is markedly less than the 30p maximum possible under the offer terms, reflecting Thames' failure to reach difficult advertising revenue targets for 1992. For every £1 million exceeding £240 million in net UK advertising revenue for 1992, shareholders were to receive 1p. Thames made £257 million, triggering the 17p payout.

Thorn made an offer for Thames shares in 1991 as a result of its bid for BET's 27 per cent stake in Thames. Thames shareholders who accepted the Thorn offer were offered a maximum of 50p in deferred consideration, depending on targets being reached. The first payment, of up to 20p, due in December 1991, was not paid because Thames' share price failed to meet performance targets.

HALL Engineering made a pre-tax profit of £3.7 million (£5.06 million) in the year to end-December. Operating profits slid to £1.8 million (£4.9 million) on turnover of £135.7 million (£147.4 million). Further rationalisation gave rise to exceptional costs of £1.8 million (£531,000). Earnings per share after exceptionals were 3.05p (11.34p). The final dividend is held at 5.34p a share, making an unchanged total for the year of 8.64p. The shares rose 3p to 166p.

BBA Group, the engineering products company, has raised £59 million through the sale of its 57 per cent stake in Pacific BBA, a diversified Australian manufacturer. The shares were placed with institutions. The sale is part of BBA's drive to cut debt by divestment of non-core activities. BBA shares rose 7p to 171p. Pacific BBA, with a separate listing on the Australian Stock Exchange, earned profits of £8.3 million on sales of £121.3 million in 1992.

TEREDO Petroleum has breached its loan covenants after a £1.2 million exchange rate loss. It is relying on the Hongkong and Shanghai Bank for support to continue trading and is considering a restructuring and refinancing. The shares eased 2p to 8p on the USM. Teredo is again passing its dividend after pre-tax profits of £20,000 (£228,000 loss) in the year to September on turnover down to £4.8 million (£5.3 million). Exploration costs fell to £522,000 (£1.5 million).

THE TIMES UNIT TRUST INFORMATION SERVICE











# Finding the right formula for a commercial green world

The chemicals industry must take tough decisions if it is to enjoy a prosperous future, says ICI chairman Sir Denys Henderson

Economic growth and technological progress have their price, and society has increasingly begun to worry about the environment, the greenhouse effect and depletion of the world's natural resources. Damage to nature, be it from acid rain or CFC gases, is a matter of deep concern to a public that puts much of the blame on the chemical industry. Their anxieties will not go away, no matter how large our efforts to operate in a more environmentally responsible fashion. But we must continue to communicate our improving performance and participate vigorously in the debate.

There have also been some nasty commercial surprises: erratic oil price changes, rampant inflation, volatility in exchange rates, and at least three recessions. There have been no easy answers during my 35 years in the industry. Yet on the whole, the chemical industry has survived well by being adaptable and innovative in contributing solutions that have improved the quality of life, from food and clothing to housing, transport and, perhaps above all, health.

Research and development, however, will only continue to play this vital role if its output is turned to commercial value quickly and if the benefits are clearly understood and welcomed by our shareholders. We have been good at discovering things in Britain, but in some industries we have failed to transfer the results from the laboratory to the marketplace fast enough to defeat international competition. Discovered here but exploited in America or Japan is a familiar story. Godfrey Hounsfield, working for EMI, won a Nobel prize for the development of computer-aided tomography, but the manufacture of medical scanners has passed largely to America. Hull University discovered (and BDH manufactured) liquid crystals, but it was Japan that produced liquid crystal displays commercially.

That said, the British chemical industry has consistently regenerated itself, both in its products and manufacturing processes. Furthermore, it is the only civil industrial sector in the UK that has maintained a consistently positive balance of trade; something the government would do well to bear in mind as the rapid increase in costs of our key raw materials such as gas, electricity and water severely reduces our competitiveness.

We have also had our failures. At ICI, we made a substantial investment in the mid-1970s in Pruteen, an animal feedstuff. The project was ambitious and succeeded technically. But it was scuppered by grain surpluses and falling soyabean prices. However, the work was not wasted; it took ICI further into fermentation technology, from which a number of significant developments, such as Quorn



Solutions start here and now. Sir Denys says dealing with environmental concerns is not an optional extra

mycoprotein, have grown. There are many examples of great technical successes being accompanied by howling commercial disasters. But they really arose from a failure to understand the markets we were addressing. As an industry, we spend vast sums on research and development, but much less on taking the temperature of those markets we wish to penetrate. Even so, our mistakes have been far outnumbered by our successes.

The industry has also had to adapt to a change in basic raw material, from coal to oil to gas, and now there is a discernible shift in economic advantage away from Europe and North America to countries with cheaper gas for the manufacture of petrochemicals and bulk plastics in the Middle East. There are also aspirations in the Asia Pacific markets to develop local, large-scale, chemical production units, whether or not these make satisfactory economic returns. While profitability is for now unsatisfactory, I have no doubt that it will recover — but only if the chemical industry tackles the future with the same boldness, vision and energy that has characterised its past.

Macro social and economic change will continue, while profound concern will be voiced about the environment and reflected in ever tighter regulation, with ever more bureaucracy to add to the already heavy costs on those of us who are wealth creators. The more traditional industries will be forced to change technology because of environmental and competitive pressure. They

will look to science to help them solve their problems. Defence budgets will be far less of a stimulus to the development of high technology but the force of the bioscience revolution is only just beginning to be felt, while the electronic industry also has a long way to go. As we approach the year 2000, there are no easy answers, but there are signposts.

□ We shall all have to be more selective in the areas in which we compete.

We cannot afford to try to out-do each other right across the board. We shall have to focus on those areas of particular technological and commercial strengths.

□ The pressures on our cash flow from competition, overcapacity and demands for environmental improvement will continue to be significant and, in Europe at least, this must lead to a process of rationalisation and consolidation.

□ We are going to have to get closer to our customers and become much more adept at solving their problems. At the same time, we must ensure that we get paid adequately.

□ Improving environmental performance is not an optional extra; it is an absolute prerequisite if we are to have a continuing licence from the general public to operate.

□ The need to be more focused will lead to more collaboration across our industry, perhaps by new and imaginative strategic alliances, or by the kind of

asset exchange ICI has fostered with both DuPont and BASF.

□ There will continue to be increasing pressure from the financial markets for the chemical industry to improve shareholder value, while banks will want to see better profits and profitability from those companies in which they hold a significant stake.

The chemical industry will be forced to concentrate more rigorously on improving the rewards for its shareholders. That will undoubtedly put pressure on the resources we devote to long-term expenditure on research and development. I do not believe that maintaining the status quo will be enough to sustain this industry. Nor do many of the European industry leaders who contributed to a Booz Allen survey on the competitiveness of Europe. Their main conclusions were: concentrate on core businesses and avoid too many distractions; continue to invest in technology, form strategic alliances, take the long-term investment view, focus on rationalisation, innovation, ecology and scale.

These conclusions encapsulate the essence of ICI's recent decision to demerge its bioscience businesses. We clearly believe it is right for us if we are to thrive in the rapidly changing world I have attempted to describe. We have still to find many answers — demerger is not an end in itself. But my colleagues and I consider it to be an exciting, challenging new beginning for the two successor companies to the traditional ICI of the past 66 years.

## TEMPUS

### The tomorrow Budget

THE markets had prepared themselves for a tough Budget so they were naturally dismayed when the Chancellor's resolve failed, and he deferred most of his tax increases into the hazy future. With the PSBR for 1993-4 set at £50 billion, gilt-edged investors must now steel themselves for a barrage of Bank of England auctions through the summer and autumn. The gilt market this morning is likely to bounce back from its immediate bout of pessimism thanks to the prospect of an improvement in the government finances from 1994 onwards. But the likelihood of long gilt yields falling below 8 per cent seems to have been postponed for some time.

The one relief the Chancellor did offer the market was the waiver of the full funding rule on bank gilt purchases. But the market has already discounted this and, in any case, the main clearing banks still claim the yield curve is not sufficiently steep to compensate them for the inflationary risks of holding a large portfolio of long-dated gilts.

The only factor that could alter this would be another cut in base rates, perhaps after the Bundesbank meeting tomorrow but even this is unlikely to be sufficient. Since Mr Lamont refused to include Treasury notes and foreign currency lending in funding calculations, he was tinkering at the edges of his immediate funding difficulties in the fear that more fundamental moves might fuel inflation or damage the recovery.

At least sterling appreciated the Chancellor's efforts, particularly the lack of any allusion to another cut in base rates. Paradoxically, this may hasten the next base rate cut. The Treasury and the Bank of England seem concerned that any rise in the pound above DM2.45 may hamper recovery, a level it may reach soon if the Bundesbank acts on Thursday and interest rates across Europe are reduced again.

The equity market naturally shared the fixed interest market's disappointment in the PSBR forecast. Share ratings are now so rarified they need to be fed on a rich diet of

enthusiastic statements from company chairmen and tangible signs of economic recovery.

Confirmation from the government that it will take the lion's share of institutional cash flow in the coming year is likely to depress share prices further as the implications sink in. The government's heavy funding requirements will also make it far more difficult for stretched businesses to push through successful rights issues as the year wears on.

One sector which should shrug off any weakness in the market is food retailing. Fears of VAT on food, even at a reduced rate, meant the sector underperformed the FTA All-Share index by around 9 per cent in the past month. It should now experience a significant and immediate bounce as investors realise that the prospects for earnings and dividend growth are strong. Media shares, should also respond well on the same grounds.

On this occasion it was the electricity and power companies that Mr Lamont had in his sights. The imposition of a full VAT charge on domestic fuel over two years came as a surprise to analysts who had been predicting at worst a 5 per cent rate. Although they expect a sharp downturn in share prices in the short-term, yesterday's announcement is not expected to impact long-term demand. Unlike industrial users, domestic consumers cannot easily switch consumption to different fuels to save costs. Some, who are determined to look on the bright side, even see a potential benefit to the electricity companies as bigger fuel bills add to inflation, which is used as the basis for their pricing formula.

The changes to company car tax will probably halt the powerful run enjoyed by the motor sector, which has outperformed the All-Share by some 15 per cent since January. The growth in car sales should not dissipate, although there may be pause while fleet managers digest the implications of the changes. There could be a move towards less expensive, lower margin motors in order to avoid penalties inherent in the new system.

### George Wimpey

ONE hopes for Wimpey's sake that this is the turning point in the housing market, otherwise its comprehensive debt-clearing exercise will have been in vain.

Of the £114 million in exceptional provisions, at least £55 million might have been taken through the profit and loss accounts of future years. The group's interest rate swaps, which it foolishly used to buy fixed-rate debt until 2001, will incur an additional annual interest cost starting at £8 million this year, but have been treated as a one-off £25.5 million expense. The rental guarantee Wimpey gave on Royce House in the City, to ensure that Clifford Chance moved into its Little Britain development, has been charged as a one-off £27.3 million. In reality, it will be an annual cost of at least £5 million.

The result of all this prudence is that, although net assets per share are back where they were ten years ago, profits in future years will be enhanced. This may lure investors into thinking Wimpey's shares are a cheap means to capitalise on the housing market's recovery.

Wimpey's management would welcome such an assumption. The group needs to replenish its land bank, while the reduction in the contracting book will cause a £40 million cash outflow this year, so disposal proceeds alone are unlikely to be sufficient to defend the balance sheet. If the shares perform, the temptation to tap the market for fresh equity might be too much.

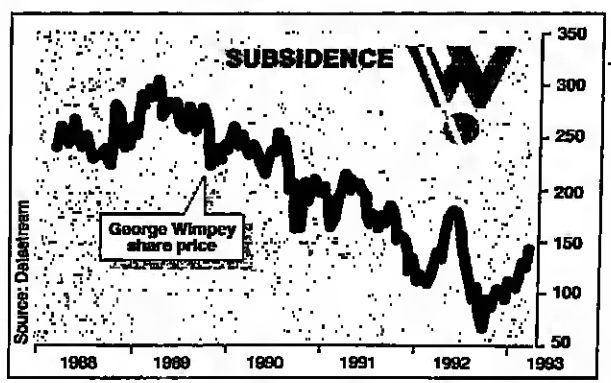
### Attwoods

ASIDE from heavy debts and a much-needed rights issue, Attwoods has weathered the recession because of its broad geographic base. Just as continental Europe offset

difficulties in America and Britain last year, now the reverse is true. Although continental revenues may still rise, the recession is already biting into margins.

However, Attwoods' prospects are being hit by the performance of MIndis, its recycling division, which swung into losses as a result of depressed metal prices. Aluminium prices have more than halved in the past three years as the former Soviet bloc has dumped cheap metal on the market.

This is not helping gearing of 117 per cent. Nor will cash flow reduce debts significantly this year. On a prospective p/e ratio of 16 times, the shares look fully valued.



## THE TIMES CITY DIARY

### Continuing casualties

THE 100 lb bomb that killed three, injured 80 and devastated the Baltic Exchange a year ago is still clocking up casualties. Jim Buckley, the Exchange's chief executive, reckons that when it re-opens for business on April 5, about 60 firms that had offices there will not return. "They had to find new homes, and they discovered it's cheaper to stay where they are," he says. "Frankly there's so much office space in the City at the moment — some of it at £5 a square foot — they've been able to strike amazing bargains." No longer is it necessarily advantageous for traders to operate under the same roof thanks to computer technology. Buckley says the charge for accommodation at the Exchange is now running at about £20 a square foot. But it is not just previous tenants who will be staying away. Over 100 cleaners, security men and catering staff lost their jobs overnight with the bomb blast, and until restoration is fully complete in three years' time, few will be returning. Members will meanwhile have to make do with one restaurant instead of three.

### Green card

BODY Shop proprietor, Anita Roddick, is now promoting another form of green in the US — the American Express card. For an undisclosed fee, which is being passed on to the Mexican co-operative workers whose rural rolling images form the backdrop of the advertisement, Roddick

speaks unscripted to camera about the virtues of the charge card, a piece of plastic synonymous with eighties status and materialistic excess, and now desperate for a new image. A Body Shop spokesman in New York said: "We have never advertised in our life. But American Express came to us, this isn't costing us anything, it is a substantial advertising campaign and they were prepared to focus on the way we do business. We've always done very well with free advertising and have built our reputation on public relations."

BRUSSELS may continue to harangue Britain over the quality of its water, but Belgians get their cool this summer thanks to 200 tonnes of Lancashire water. North West Water is to export ice cubes to the thirsty nation, via Fleetwood's Packaged Ice Company. A spokesman said the Belgian supermarket Multifrost looked far afield in its search for water that meets the



Roddick giving credit

European quality standards that will allow it to sell the cubes in Belgium and export them to France and Holland.

### Tricks of the trade

ROCKY Ryan, the self-confessed Fleet Street trickster, claims he has recently declined several offers of work from the within the Square Mile. Ryan, who has in the past successfully extracted large sums of money from newspapers in return for tantalizing but spurious stories, claims to have been contacted by several parties in the City. "It's the usual story. They want me to start rumours that will make certain share prices up or down," he says, adding that the fee for this service can be £20,000. This time though, Ryan says he has refused because he is too busy researching his forthcoming autobiography. A spokesman from Fourth Estate, the publisher, confirms at least part of the story. "We are negotiating with him about his autobiography, although nothing is carved in stone yet. But even if it's all signed up, we won't know whether to believe it."

Budget U-turns have a long history. In 1853, Gladstone, who was credited as Chancellor with inventing the modern all-in Budget, launched a medium-term programme designed to eliminate income tax, which had been brought back nine years earlier to replace the duty lost by reform of the Corn Laws. In his very next Budget of 1854, Gladstone duly doubled the rate of income tax.

MELINDA WITTSTOCK

### Who benefits most from analysis?

From Mr R. N. Bowes  
Sir, My family are shareholders in Ladbroke. They noted with interest that, in the two weeks prior to the announcement of results, virtually all the financial columns of the major newspapers reported that the company would make a substantial writedown in its property investments. The figure mentioned was, so far as I am aware, identical in each paper, and it was more or less the figure confirmed when the results were issued. One feels that what has happened can hardly be a coincidence, and it seems likely that, in some way, the reports were instigated by the company itself. This suggests that quite a number of individuals connected with the financial world had information, prior to the publication of the results, which was not available to shareholders at large. I do not think this situation is by any means unique. I have observed that analysts in the City are paid somewhat extravagant salaries, and I have often thought that these salaries are quite out of line with the not very burdensome or difficult degree of analysis which they carry out. This

does, unfortunately, suggest that certain of these people are employed on the basis that they do receive hints from companies with which they are particularly connected, as to what is happening to the company concerned. What must give rise to speculation is to what ends the information they so acquire is used. In most cases the analysts publish the information at some stage, but it would be interesting to know whether they do share it first with some preferred customers, and these customers will not necessarily be shareholders at large.

One has also noticed the wrath of some financial journalists and analysts when a company reports results rather out of line with what has been forecast by these gentlemen. This must give rise to some speculation that the wrath at least partly results from the failure of the company to leak advance information. My question is whether all this activity is proper; it seems to me the answer is obvious. Yours faithfully, R. N. BOWES, Fairacre, Eton Green, Godalming, Surrey.

### Still supporting acceptance of risky business

From Mr Robert Coulson  
Sir, Mr Needham's letter (March 11) seeks to face both directions at once. First, he reminds us, for which much thanks, that exports not paid for are not worth having. Second, he goes on to reveal that his department via ECGD has paid out over £8 billion for goods not paid for. It is curious why he should have supported, and still continues to support, reckless acceptance of such risky busi-

ness. Will his account cause him to increase ECGD premiums, at least to breakeven point?

Yours faithfully, ROBERT COULSON, Medlars, Mounthill Avenue, Chelmsford, Essex.

Letters to The Times Business and Finance section can be sent by fax on 071-782 5112.

### Initial impression

From Mr Stanley Lerner  
Sir, I refer to the reported compensation payments made by British Petroleum to its former chief executive, and the apparent under performance of the company during his term of office, and would suggest the initials BP could mean to Mr Horton, Beneficial Paymaster, and to the shareholders, Bitter Pill. Yours faithfully, STANLEY LERNER, 37 Howe Park Way, Hove, Sussex.

### Common pension age

From Mr David Lindsay  
Sir, Graham Seargeant makes many excellent points in "Make our state pensions fit the people" (March 10) but his view that a common state pension age of 60 would "upset many men" is not borne out by survey. A "Harris" survey carried out for Help the Aged and CESPA in 1990 showed that 75 per cent of men and 77 per cent of women would prefer to retire at 60 or before. Nor should availability of state pension from age 60 — with right to defer up to, say, 70 — cause employees to fear that they will "be cast off before their time", for it carries no sufficient inducement for employers that currently provide occupational pension from 65 to incur the very considerable extra cost of lowering that age. Yours faithfully, DAVID LINDSAY, Legal Adviser, CESPA (Campaign for Equal State Pension Ages), 36 Orchard Coombe, Whitechurch Hill, Reading, Berkshire.

### Clarifying non-executives' role

From Mr Peter M. Brown

Sir, I attended the conference at which the ProNed survey reviewed by Jon Ashworth on March 11 was launched. I would like to emphasise the message from that conference and from our significant contact with non-executive directors whom we service when they sit on remuneration committees.

They are very concerned that Cadbury's recommendations, which were designed for major, publicly quoted companies with significant institutional shareholdings, should not be applied to the great mass of UK businesses, many of which are private or have a limited quote. There are potentially good governance requirements for these companies but an attempt to use the Cadbury suggestions of at least three non-executive directors and the mandatory use of board audit and remuneration sub-committees is not the answer.

There is, however, a proactive need for non-executives in many medium-sized smaller companies to be alternative sources of strategic initiatives. They may be the only directors with any experience outside that single business and are

increasingly being used in a partially executive role in chairing development and overseas subsidiaries.

Although they recognise their monitoring responsibilities, the best also see the need to be knowledgeable stimulants in several aspects of the business and the ideal candidates can therefore be rather different from those chosen by multi-national and very large UK companies.

As significant new job creation in the UK will depend upon the ambition of the boards of medium-sized businesses there is a need to encourage the appointment of independent directors but this will not be done by over-emphasising their monitoring role. Most smaller and medium-sized boards include at least one director owning or representing a significant investment, they are very hard on unnecessary overheads and will only appoint individuals if they can see a positive as well as a constraining contribution from them.

Yours faithfully, PETER M. BROWN, Chairman, Top Pay Research Group, Upper Ground Floor, 9 Savoy Street, WC2.

## THE TIMES

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# Building a wedge of steadily rising revenue

The Chancellor said that excessive government borrowing was the greatest threat to recovery.

Although the effect of his proposals would be broadly neutral in 1993-4, revenue would rise by £6.5 billion in 1994-5 and £10.5 billion in 1995-6

The following are extracts from the *Financial Statement and Budget Report* (FSBR or Red Book) on the government's medium-term financial strategy. The medium-term financial strategy sets out the framework for achieving sustainable growth based on permanently low inflation.

Last autumn, following the suspension of sterling's membership of the ERM, the government put in place a new policy framework for its counter-inflation strategy. At the centre of this framework is a quantified target — to keep underlying inflation (as measured by the RPI excluding mortgage interest payments) in the range 1 to 4 per cent, and to bring it down to the lower part of this range by the end of the present Parliament.

This target implies a path for the growth of money GDP — total spending in the economy in cash terms — averaging about 6 per cent a year over the next three years, and falling gradually thereafter. It is the role of macroeconomic policy to deliver this. The purpose of macroeconomic policy is to improve the efficiency of markets and strengthen the supply performance of the economy, so as to raise the growth rate of output compatible with a given inflation path.

## Monetary policy

The conduct of monetary policy involves a judgment on inflationary trends in the economy and whether the government's objective is likely to be achieved. While sterling remains outside the ERM, decisions about interest rates are based on a continuing assessment of monetary conditions, measured principally by the growth of narrow and broad money, and movements in the exchange rate and asset prices. Developments in these and other relevant indicators are now set out in the *Monthly Monetary Report*, which has been published by the Treasury since last December.

For both narrow and broad money the government has set monitoring ranges which are judged to be consistent with the medium term path for

money GDP and hence inflation. There is no similar range for the exchange rate, but this remains an important indicator which directly influences domestic costs and prices and reflects market perceptions of the stance and future direction of policy. Movements in asset prices have in the past been valuable leading indicators of inflation.

If narrow or broad money moves outside its monitoring range, or there is a sharp movement in the exchange rate or asset prices, this is likely to be a cause for concern; but the evidence from any one indicator has to be weighed against the message from the others in judging the outlook for inflation.

## Narrow money

Last year's MTFS set a target of 0 to 4 per cent for M0 growth in 1992-3, and this target was reaffirmed in the autumn. M0's 12-month growth rate fell below the centre of the target range in June, but rose in the second half of 1992 and was above the top of the target range in February.

Interpretation of M0 has been complicated by recent developments in the relationship between its growth and that of money GDP and the velocity of M0 rose accordingly. But in the last few years there have been signs that M0's velocity trend has slowed down.

For the time being the Government considers it prudent to retain a range of 0 to 4 per cent for M0. This will apply for the whole period covered by this year's MTFS. It will be treated as a monitoring range rather than a target, because the government now has a target for the inflation rate itself. Following the recent sharp fall in interest rates, M0 growth may be above this range in the short term; but with policy set to deliver the government's inflation objective it should fall back in the medium term.

## Broad money and credit

No ranges were set for broad money between 1986 and 1992; however, M4 was still

taken into account in assessing monetary conditions. It was decided last autumn to publish a monitoring range for M4, to show what growth rates would or would not be regarded as a cause for concern. The monitoring range in the second half of 1992-3, announced in the Autumn Statement, is 4 to 8 per cent. M4 growth has fallen since the monitoring range was set, reflecting in particular very low growth in lending to the personal sector in the fourth quarter, and has been below the range since the start of 1993.

The government is setting a monitoring range for M4 of 3 to 9 per cent for the whole period covered by the MTFS. The mid-point of the monitoring range is unchanged at 6 per cent, but the width has been increased to 6 percentage points because it now applies to a longer period.

## Fiscal policy

Fiscal policy will be set to maintain sound public finances, which are essential for a sustainable economic recovery. The government's objective is to bring the PSBR back towards balance over the medium term.

A large part of the present PSBR is attributable to the effects of the economic cycle. But it is impossible to determine with any precision how much of it will be reversed as the economy recovers. Whatever the underlying position, the actual level of the PSBR is important in itself because it adds to the amount of public sector debt outstanding and thereby raises debt servicing costs. Tight public expenditure ceilings were announced in the Autumn Statement. The discretionary increase in tax revenues announced in the Budget will build up over time, and together with the public expenditure plans will thus ensure a steady improvement in the underlying fiscal position.

## The economy in the medium term

At the trough of a recession it is very difficult to assess future

## Financial Statement and Budget Report 1993-04

### PUBLIC SECTOR BORROWING

£ billion	'91-2	'92-3	'93-4	'94-5	'95-6	'96-7	'97-8
General govt expenditure	236.1	260	280	296	314	329	342
Genl govt receipts	222.2	224	229	251	275	293	311
GGBR	14.0	36	51	45	40	36	31
Public corporations market and overseas borrowing	-0.2	-1	-1	-1	-1	-1	-1
PSBR	13.8	35	50	44	38	35	30
Money GDP	580.4	599	628	671	716	758	782
PSBR as % of money GDP	2.4	5.8	8.0	6.6	5.3	4.6	3.8

Rounded to the nearest £1 billion from 1992-3 onwards

### OUTPUT AND INFLATION

	1992-3	1993-4	1994-5	1995-6	1996-7	1998-8
Money GDP	3%	4%	7%	6%	5%	4%
Real GDP:						
Non North Sea	-	1%	2%	2%	3%	3%
Total	-	2%	2%	2%	2%	2%
Inflation:						
RPI excluding MIPs	3%	3%	3%	3%	2%	2%
GDP deflator	3%	2%	4%	3%	2%	2%

NO. Percentages change on previous financial year except 1 year to 1992-04 and 1993-04; forecasts for 1993-4 and assumptions thereafter.

growth prospects. Illustrative projections assume that the recovery continues to gather pace in 1994, and that output then grows somewhat faster than its trend rate for a number of years. These growth assumptions are very similar to the average of the projections made by the Panel of Independent Forecasters (nearly 3 per cent a year), and slightly lower than in last year's MTFS.

With a degree of spare capacity likely to remain for some years yet, inflation is assumed to fall further in the medium term.

These assumptions for output and inflation imply a path of money GDP growth which averages about 6 per cent a year over the next three years, before declining in subsequent years. Because of timing effects associated with the fall in the exchange rate, both the GDP deflator and money GDP will understate underlying movements in 1993-4, and overstate them in 1994-5.

## Revenue

After rising in 1993-4, the projected PSBR falls significantly as a proportion of GDP, so that by 1997-8 it is down to 3% per cent.

Revenue projections are based on the conventional assumption of constant tax and national insurance rates from 1993-4, except where future changes have already been announced. All projected Budget changes are taken into account. Allowances, thresholds and specific duties are assumed to be indexed in subsequent Budgets from the levels proposed in the March 1993 Budget.

The ratio of general government receipts to GDP falls in 1993-4; the delayed effects of broadly unchanged levels of economic activity in 1992-3 outweigh the effects of the Budget measures. Thereafter the ratio rises as the economy recovers and the wedge of tax increases announced in the Budget builds up.

## Public expenditure

The objective continues to be that public spending should take a declining share of national income over time, while value for money is constantly improved. The ratio of general government expenditure (GGE) excluding privatisation proceeds to GDP was on a downward trend for much of the 1980s, though in recent

years the impact of the recession has caused the ratio to rise. It should resume its downward trend as the economy recovers, and as the PSBR and thus the growth of debt interest begin to fall.

The projections of general government expenditure incorporate the control totals published in the 1992 Autumn Statement for the period to 1995-6. Detailed plans for the new control total will be settled in future surveys. The projections for cyclical social security take account of higher levels of unemployment since the Autumn Statement.

## Public sector debt

The effect of the recession on the PSBR has led to a rise in the net public sector debt ratio, and this ratio will continue to rise in the next few years. As the PSBR comes down, the rate of increase will slow. How quickly it does so, and the level at which the ratio peaks, will depend on the medium-term economic growth rate.

## Alternative projections

There is inevitably some uncertainty about medium term prospects. The economy is operating well below capacity at the moment, and output is likely to return towards trend over the medium term. But trend output — the level consistent with stable inflation — is not directly observable, and has to be inferred from other economic data. How quickly output will return to trend is also uncertain.

Economic growth is most unlikely to follow the precise path set out in the main projection. On the one hand, growth could be stronger, given the present degree of spare capacity; for example, if businesses control their costs tightly and respond strongly to the recent gain in cost competitiveness. UK trade performance could be further improved. But equally, the pick-up in growth could be more sluggish: high levels of private sector indebtedness could continue to hold back

the recovery in domestic demand, in both the UK and other countries, and the growth in world trade could be weaker than currently expected.

In the absence of discretionary action, the path of the PSBR is significantly affected by the growth rate. In the case of stronger growth the PSBR falls to 2% per cent of GDP by 1997-8. And even if economic developments are less favourable, the wedge of tax increases announced in the Budget should ensure a substantial reduction in the PSBR over the medium term. Whatever the outcome for growth, the government will take whatever action is necessary to ensure a sound and sustainable fiscal position.

The Government has set a target range for M0 in every year since 1984. M0 has proved a reliable indicator, although its use is primarily to signal current trends in the economy, rather than to warn of future changes. The target range set for M0 has come down from 4 to 8 per cent in 1984-5 to 0 to 4 per cent in 1991-2 and 1992-3. M0 growth has been within the ranges set for most of this period, the main exception being the period from early 1988 to mid-1990, when the overheating of the economy and rise in inflation was reflected in M0 growth well above its target range.

## Velocity of M0

Over the whole period since the war, M0 has grown much less quickly than money GDP; in other words, its velocity of circulation has increased. In the 1950s and 1960s M0 grew about 2 per cent a year on average less than money GDP, and since then the gap has averaged about 4 per cent a year. The target ranges for M0 set in previous years have generally assumed a continuation of the velocity trend at around 4 per cent.

This rise in M0's velocity reflects both the growing use of means of payment other than cash and probably also a reduction in average cash holdings relative to the amount of cash transactions. Interest rates probably affect both the use of cash as a means of payment and the average amount of cash people hold for a given level of cash transactions. High interest rates have in the past given banks an incentive to introduce innovations which encourage people to keep money in their current accounts rather than in cash; and correspondingly give

banks' and building societies' depositors an incentive to hold money in interest bearing accounts rather than cash. Changes in the composition of spending and the structure of employment may also have had an effect on M0's velocity.

## Recent developments

During the last two decades, changes in velocity have fluctuated quite widely from year to year. But since the 1980s there have been two developments: the fluctuations have become smaller and so has the average annual increase in velocity. In 1992-3, M0's velocity is estimated to have risen only marginally. It is difficult at this stage to decide whether we are witnessing a temporary effect or a more long-lasting change in the trend.

The recent fall in interest rates may have had two effects. It may have encouraged individuals to increase their holdings of cash relative to their transactions and it may have reduced the incentive for financial institutions to find further innovations which discourage the use of cash. The first effect would cause a temporary slowdown in the growth of velocity; the second would tend to cause a permanent slowdown.

If the latter effect is significant, the experience of permanently lower inflation and interest rates will lead to a lower trend increase in M0 velocity in the 1990s than in the previous two decades; this would mean a higher rate of growth of M0 would be consistent with low inflation. If M0's velocity trend were to fall back to the 2 per cent or so average annual increase recorded in the 1950s and 1960s, M0 growth could remain at, or above, the top of a 0 to 4 per cent range as long as inflation remains in the upper half of its 1 to 4 per cent target range; especially when real GDP is growing faster than trend and the once-for-all effects of recent cuts in interest rates continue to come through.

The government has decided to retain a 0 to 4 range for M0 for the present. But the possibility that there has been a change in the velocity trend will have to be borne in mind in assessing M0's performance in relation to this range over the year ahead. The M0 range will be treated as a monitoring range rather than a target, because the government now has a target for the inflation rate itself.

# Output forecast to rise 1.25 per cent this year

Mr Lamont said that economic recovery was gathering pace this year and growth could exceed the predicted figure. It was hard to tell, however, just when consumers would feel their finances were sound enough to support increased spending

There follow edited extracts from the Red Book on recent developments and prospects for the economy. GDP rose slightly in the second half of 1992, a stronger performance than anticipated in the Autumn Statement. It edged up in both the third and fourth quarters, but non-oil GDP fell marginally. In 1992 as a whole, GDP was 3 per cent down on 1991, though it was broadly unchanged between the fourth quarters of 1991 and 1992. A small increase in domestic demand was more than offset by a fall in net trade volumes.

Within GDP, oil output recovered strongly in the second half of 1992 and rose 3% per cent in the year as a whole. Other energy output also recovered in the second half of the year. Manufacturing output fell back a little in the fourth quarter, though not as much as suggested by business surveys in the summer and autumn, and it was 1% per cent higher than a year earlier. Construction output fell in 1992 but not as much as in 1991. Service sector output was little changed.

The four percentage point cut in base rates since early September, the fall in the value of sterling and the measures announced in the Autumn Statement, have enhanced the prospects for recovery. Business optimism has improved and there are signs of strengthening consumer demand.

Nevertheless downside risks remain to the central forecast. Consumer demand may remain hesitant, held back by high levels of debt relative to income and by the fear of unemployment. And the outlook for the continental European eco-

nomics is very subdued. Moreover, business surveys have indicated false dawns before, notably in the autumn of 1991 and the spring of 1992. On this occasion, however, the improvement in confidence follows a tangible easing of policy; there is therefore a better chance that it will translate into higher activity and prove more durable.

The forecast for GDP growth in 1993 is 1% per cent, broadly in line with the average of forecasts by the Independent Panel, but slightly more than in the Autumn Statement reflecting higher than expected output in the second half of 1992. Growth in the year to the second half of 1993 is unchanged from the Autumn Statement at 1% per cent. It is forecast to pick up to 3 per cent (2% per cent non-oil) in the first half of 1994.

Manufacturing output is forecast to rise more rapidly than GDP during the course of 1993 because of the impact of improved competitiveness. The main contributions to growth in 1993 are expected to come from consumers' expenditure, up 1% per cent, and exports up 5% per cent. Stocks are also forecast to make a contribution to GDP growth, with destocking coming to an end during the course of the year.

## Personal sector

Consumers' expenditure has moved ahead since the first quarter of 1992, rising by 1% per cent in the year to the fourth quarter. Recent consumption indicators have turned out much as expected. But real personal disposable income is much stronger than forecast, increasing by 2% per cent in 1992 despite a sharp

fall in unemployment. As a result, the saving ratio rose 1% point in 1992, to 11% per cent.

Personal sector spending has been closely linked with housing market developments in the past few years. Although both turnover and prices fell sharply in the autumn of 1992, this now looks to have been the effect to limit stamp duty concession, which ended in mid-August and which shifted activity into the summer. Sentiment in the housing market has clearly improved in recent months, with help from the lower level of interest rates, the reduced level of repossession and the measures announced in the Autumn Statement to take empty properties off the market. Surveys of estate agents and house-builders suggest greater activity in the early part of 1993, but this has not yet been reflected in official housing market turnover statistics. House prices, though 7% per cent lower than a year ago according to the Halifax measure, have fallen by only 1 per cent in the last four months. The house price/earnings ratio is now back to 1986 levels, and below its average of the last 25 years. While the market is currently weak by earlier standards, both prices and turnover may start to rise during the year.

Personal sector spending is likely to continue to be restrained by the desire for further balance sheet adjustment and by the fear of unemployment. However, consumer confidence has picked up since the Autumn Statement and the interest rate cuts since ERM suspension. Retail sales have continued their upward trend. It therefore seems likely that there have been further

### SHORT-TERM ECONOMIC PROSPECTS

% changes on previous year unless otherwise stated	1992	1993	1994 (H)	1994 (F)	Av. errors in past forecast
GDP and domestic demand at constant prices					
Domestic demand of which:					
Consumers' expenditure	1%	1%	1%	1%	1%
General government consumption	-4%	1%	1%	1%	1%
Fixed investment	-4%	1%	2%	2%	2%
Change in stockbuilding	2%	1%	1%	1%	1%
Exports of goods and services	2%	5%	10%	11%	11%
Imports of goods and services	5%	4%	9%	9%	9%
GDP (average measure)	-1%	1%	3%	3%	3%
Non-North Sea GDP	-2%	1%	2%	2%	2%
Manufacturing output	-1%	1%	2%	2%	2%
Balance of Payments					
£ billion	-12	-17	-10	-10	4%
per cent of GDP	-2%	-3%	-2%	-2%	4%
Inflation					
Retail prices index (Q4)	3%	3%	3%	3%	3%
Producer output prices (Q4)*	2%	4%	3%	3%	3%
GDP deflator at mkt prices (incl yr)	3%	2%	4%	3%	3%
Money GDP at mkt prices (incl yr)					
£ billion	589	628	-	-	1%
percentage change	3%	4%	-	-	1%
PSBR (financial year)					
£ billion	35	50	-	-	6%
per cent of GDP	5%	8%	-	-	6%

\* Average errors regardless of sign over past 10 years (apply to forecasts for 1993 or 1994-4). \* Expenditure adjustment. \* Percent of GDP. \* At annual rate. \* Q2. \* Excluding food, drink and tobacco.

Increases in consumption so far in the first quarter similar to those in the second half of 1992.

The debt/income ratio fell in 1992; it is expected to fall again in 1993 but by less than in 1992. The debt/income ratio by mid-1994 could be about 7 percentage points below its peak in 1991.

## Labour market

The cumulative fall in employment of nearly 2 million to September 1992 from its peak in June 1990 has been reflected in a strong productivity performance. Despite the weakness of output, non-oil productivity has been rising since early 1991, increasing by 2% per cent in the year to the third quarter of 1992. Over the year to the fourth quarter of 1992 manufacturing productivity rose by 6 per cent. These rates of productivity growth are much faster than normal at this stage of the cycle.

Unemployment has risen considerably less than the fall in employment — by about 1.4 million in January 1993 from its low point in April 1990 — reflecting falling workforce

participation. Following a further round of job losses in the second half of 1992 the rate of increase in unemployment rose, having moderated earlier. The rate of increase should start to slow down again as the economy recovers, though since the level of unemployment typically lags behind the cycle in activity it will be some time before it starts to fall again.

## Trade and the balance of payments

The current account deficit was £12 billion in 1992, compared with £6.5 billion in 1991. The visible trade deficit rose to £1.4 billion, as a result of an adverse movement in trade volumes, with import volumes rising twice as fast as exports. However, exports were rising more strongly than imports towards the end of the year. Although the terms of trade deteriorated sharply in the fourth quarter of 1992 following sterling's depreciation, they were 1% per cent better in 1992 as a whole than in 1991.

In 1991 the invisibles surplus benefited from contributions from abroad towards the UK's Gulf War costs and from

exceptionally low net transfers to the EC. It is not surprising therefore that the surplus fell in 1992. But at £2 billion it was much lower than anticipated in last year's Budget forecast: estimates both of the level of the surplus in 1991 and of the UK's net stock of overseas assets have been revised down since then.

Manufacturing unit labour costs were unchanged in the fourth quarter of 1992 compared with a year earlier as earnings growth continued to slow and productivity growth picked up. By contrast, competitors' unit labour costs probably grew by 3% per cent. This underlying improvement in competitiveness is likely to continue in 1993, with UK unit labour costs set to fall while competitor countries' costs continue to rise. The gap between UK and overseas unit labour costs is forecast to improve competitiveness on its own by about 4 per cent in 1993.

The lower exchange rate compared with most of last year will enhance this underlying improvement, so that actual cost competitiveness may be about 20 per cent better in mid-1993 than a year earlier. Price competitiveness is also forecast to improve in 1993, but not by as much as cost competitiveness because exporters are likely to rebuild their profit margins.

Non-oil export volumes rose 2% per cent in 1992 as a whole. The growth of world trade in manufactured goods is expected to be similar in 1993 to 1992, although the growth in UK export markets is forecast to fall from 4% per cent to 3% per cent. But better competitiveness means that exports should grow faster than this in 1993. Manufactured exports could rise by 7% per cent in 1993, over 5 per cent faster than world trade and twice as fast as UK export market growth. Exports of all goods are forecast to rise 6% per cent in 1993 and just over 10 per cent in the year to the first half of 1994.

A further rise in import penetration is to be expected in 1993, though the improvements to competitiveness,

which benefit firms competing with imports just as much as exporters, should keep it down. The volume of imports of goods is expected to rise by 5% per cent in 1993, a little less than in 1992 despite stronger domestic demand.

Normally after a large fall in the exchange rate import prices rise faster than export prices, and this is evident in the monthly figures available since ERM suspension. The resulting terms of trade loss, expected to be nearly 8 per cent for non-oil goods compared with the whole of 1992, has a significant adverse effect on the visible trade deficit, more than accounting for the deterioration in 1993. However, in large part it arises because UK exporters hold back from raising their prices in the interest of selling more to their customers. The higher volumes that result will work to offset the adverse terms of trade effect, but will take some time to come through. Similarly improved competitiveness will tend to reduce import volumes, further offsetting the terms of trade loss. As export prices catch up, there is the prospect of some improvement in the terms of trade in the first half of 1994.

Oil and gas production rose 3% per cent in 1992. It is expected to rise by 6 per cent in 1993 as new fields begin production and as output resumes from those fields affected by the Piper Alpha disaster. Output is expected to be near the centre of the DTT's Brown Book range, which shows a further sharp increase in 1994. Net oil exports are expected to rise in 1993 with export volumes over 3 per cent higher and import volumes 2 per cent higher than in 1992.

The oil surplus is expected to rise to nearly £2 billion in 1993. The surplus on interest, profits and dividends (IPD) rose from £5 billion in 1991 to £3 billion in 1992. IPD was depressed in 1991 because of Gulf war effects on oil companies' profits; and during 1992 there were exceptional currency market earnings associated with the turmoil in September. Continuing cur-

rent account deficits will reduce the UK's net stock of overseas assets and therefore the IPD balance over the years ahead. Against this, the lower exchange rate will raise the sterling value of foreign currency assets and receipts. The UK's net stock of overseas assets is estimated to have fallen from £11 billion at the end of 1991 to near zero in the middle of 1992. By the end of the year it had risen to £37 billion. Like goods, the services balance will benefit from the improved competitiveness, though adverse terms of trade effects may dominate in 1993. The volumes of both exports and imports are forecast to rise quite strongly during 1993, exports more so than imports. But because they start from rather depressed levels in the second half of 1992, growth between 1992 and 1993 as a whole is quite modest. 1 per cent for exports and 1 per cent for imports. The balance of transfers is expected to change little between 1992 and 1993. Overall, the surplus on invisibles might be £3.5 billion in 1993, up from £2 billion in 1992.

The current account deficit is expected to rise to £17.5 billion in 1993, with the recovery in the invisibles surplus more than offset by the increase in the services deficit. Although the forecast is above the average of the Independent Panel's forecasts, five of the seven panel members expect the deficit to be in the range £16.5 to £20 billion.

## Inflation

The weakness of demand has kept strong downward pressure on inflation, despite the lower exchange rate. Underlying inflation, as measured by the RPI excluding mortgage interest payments (MIPs), was 3.2 per cent in January, down 2% percentage points since April 1992. As yet, with the exception of petrol prices, there is little obvious sign of inflationary pressures at the retail level as a result of sterling's depreciation. The all-items RPI rate in January was 1.7 per cent the lowest rate since September 1967.



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6	Tesco	Retail	10.50
7	Rankine	Industrial	10.50
8	Southam	Media	10.50
9	Scottish	Finance	10.50
10	British	Finance	10.50
11	Johnson	Finance	10.50
12	Johnson	Finance	10.50
13	Body Shop	Beauty	10.50
14	Bradford	Finance	10.50
15	Boots	Retail	10.50
16	Electronics	Electronics	10.50
17	Investment	Finance	10.50
18	Vale	Finance	10.50
19	Manpower	Finance	10.50
20	Rankine	Industrial	10.50
21	Eng China	Industrial	10.50
22	Mind	Finance	10.50
23	Amoco	Oil & Gas	10.50
24	Smith	Finance	10.50
25	Smith	Finance	10.50
26	Smith	Finance	10.50
27	Smith	Finance	10.50
28	Smith	Finance	10.50
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34	Smith	Finance	10.50
35	Smith	Finance	10.50
36	Smith	Finance	10.50
37	Smith	Finance	10.50
38	Smith	Finance	10.50
39	Smith	Finance	10.50
40	Smith	Finance	10.50

1992/93	High	Low	Company	Price	Yld	P/E
1	10.50	10.50	Shell	10.50	4.5	23.3
2	10.50	10.50	British Chemical	10.50	4.5	23.3
3	10.50	10.50	Prudential	10.50	4.5	23.3
4	10.50	10.50	Ranaco Oil	10.50	4.5	23.3
5	10.50	10.50	FSI Group	10.50	4.5	23.3
6	10.50	10.50	Tesco	10.50	4.5	23.3
7	10.50	10.50	Rankine	10.50	4.5	23.3
8	10.50	10.50	Southam	10.50	4.5	23.3
9	10.50	10.50	Scottish	10.50	4.5	23.3
10	10.50	10.50	British	10.50	4.5	23.3
11	10.50	10.50	Johnson	10.50	4.5	23.3
12	10.50	10.50	Johnson	10.50	4.5	23.3
13	10.50	10.50	Body Shop	10.50	4.5	23.3
14	10.50	10.50	Bradford	10.50	4.5	23.3
15	10.50	10.50	Boots	10.50	4.5	23.3
16	10.50	10.50	Electronics	10.50	4.5	23.3
17	10.50	10.50	Investment	10.50	4.5	23.3
18	10.50	10.50	Vale	10.50	4.5	23.3
19	10.50	10.50	Manpower	10.50	4.5	23.3
20	10.50	10.50	Rankine	10.50	4.5	23.3
21	10.50	10.50	Eng China	10.50	4.5	23.3
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39	10.50	10.50	Smith	10.50	4.5	23.3
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There were no valid claims for yesterday's Portfolio Plus prize. The £2,000 will be added to today's game.

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33	10.50	10.50	Smith	10.50	4.5	23.3
34	10.50	10.50	Smith	10.50	4.5	23.3
35	10.50	10.50	Smith	10.50	4.5	23.3
36	10.50	10.50	Smith	10.50	4.5	23.3
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1992/93	High	Low	Company	Price
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# FACILITIES MANAGEMENT



Optimistic managers: Barrie Morgan, left, of IBM UK, and John Jack, of Procord, who are keen to develop their overall services

## The shining example

Not many new businesses bring in a profit in their first year. However, Procord, a management and staff buy-out of the facilities management arm of IBM UK, has just achieved that.

Procord is already looking, after 18 months of independent operation, to a 50 per cent jump in turnover. Its projections for the third year are equally optimistic.

Procord is an example, and an unusual one, of one of the several ways in which facilities management has been growing. The most familiar pattern of development in this industry arises when a property services company is at first skilled in one or two areas, such as catering, cleaning or some other servicing element. It then acquires a range of practical skills and finally graduates to offering a total facilities management service.

This was essentially the growth pattern at the two leading companies in facilities management, the P&O and BET groups. Another pattern is for a big company to develop its property management capability to the point where it makes sense for that expertise to be sold to other companies, offering consultancy help or project management or both.

Derek Harris on a company that has had a 50 per cent jump in turnover in its second year of independent operation

rather than staying a subsidiary. The thinking at the IBM property services division, which then became Procord, was to go for outside contracts based both on consultation and project management — what John Jack, the Procord managing director, describes as a bridge between the two activities. Mr Jack had headed the property services operation at IBM and led the management buy-out of IBM, which now has a minority stake of 49 per cent.

IBM was making more efficient use of workstation space by arranging for an increasing number of people to work partly from home, in their cars or even in a customer's office. One result was that a third of the IBM buildings portfolio was no longer needed.

At the same time, the internal facilities management capability had been growing during the late 1980s. Barrie Morgan, the director of quality and management services at IBM UK, says: "To

exploit the talent and skills that had been developed was a superb marketing opportunity. We decided that if Mr Jack and his team played their cards right, they could win outside major contracts."

This would mean that the team of 90 in property services could be kept together.

The decision to create Procord as the way ahead to exploit the market more fully was made early in 1991. When Procord was launched later in the year it had a £24 million annual contract over five years from IBM for managing IBM facilities needs, in Belgium as well as in the United Kingdom.

Soon Procord was also doing work for Guinness at the brewer's London plant at Park Royal. With a big contract for BP Exploration, part of the BP oil group, Procord took on responsibility for all the services at a greater London headquarters from cleaning, catering and security to running the office services and even organising the first-aid require-

ments. The BP contract is worth £4 million a year.

Procord now has 20 clients, including one that recently signed a contract for the facilities management company to look after the servicing needs of the Leeds headquarters of Asda, the supermarket operator. In the first 12 months of operation, turnover was more than £26 million, and pre-tax profits reached almost £500,000.

Already the reliance on the initial IBM contract commitment is diminishing, as the IBM proportion of Procord's has fallen from 90 per cent in the first year to about 60 per cent. That process is likely to continue.

At present, IBM is a "satisfied shareholder", Mr Morgan says. "We are delighted at the way things are going. We point to Procord as a shining example of people with the right expertise being able to have a good go at a market to the benefit of themselves and IBM."

Procord's team now numbers 200, double the original staffing strength. Mr Jack says: "We have a healthy balance sheet. There is share capital of just under £1 million and two-thirds of the founding staff are shareholders."

"It may be some years away, but no doubt we shall get to a stage where we should consider whether to turn our paper wealth into real wealth, although the best route to take — a flotation or whatever — is hard to guess at for the moment."

The sector now has an annual turnover of more than £4 billion

## Cleaners update Mrs Mop image



Abseiling team: cleaning up

Cleaning is not just a mop and bucket business any more. Modern office buildings, high technology equipment, specialist use of chemicals in manufacturing — all have been stretching the capabilities of the cleaning industry and hastening the process of specialisation.

Among medium sized and larger companies with 100 or more employees, about 80 per cent no longer do their own cleaning but outsource — contract work out — to specialist companies.

The cleaning market is worth £4 billion a year and the Cleaning and Support Services Association (CSSA) estimates that in 1991 its members turned over £1.3 billion, an increase of more than a fifth over the previous year.

Sales since 1986 have more than doubled for CSSA members who now account for more than two-thirds of outsourcing cleaning sales. The general view in the industry is that recession has meant higher profit margins for outsourcing. Broadening the scope of their activities into areas such as portering and messenger services has also helped keep volume sales up. However, keen competition has meant higher profit margins for the cleaning companies.

Robin Oakley Smith, the chairman of the CSSA, says: "Cleaning contractors have weathered the recession reasonably well. Adding other services to their contracts has been a key factor and there are still more opportunities of this sort that could benefit the industry."

Mr Oakley Smith is the managing director of Pall Mall Services, part of the Davis Services Group. Pall Mall is one of the biggest cleaners. BET's Initial is the market leader, followed by the privately owned OCS, then ISS, which has a Danish parent company.

Further growth is promised as, under government pressure, the public sector at local authority and Whitehall department level turns more to outsourcing. One snag is that controversy over transfer of undertakings legislation has brought uncertainty for private sector contractors on how far they will be free to compete with in-house arrangements.

The cleaning industry has been changing, and companies have moved in two separate directions. Some continue to develop as contract cleaners while others, many of them the larger operations, are offering a cocktail of support ser-

vice primarily of the contract cleaners while a new one, the Association of Support Service Contractors, is being created. From next year, it will run alongside the CSSA, sharing the same secretariat and catering mainly for those pursuing the broader servicing strategy, although it is envisaged that some CSSA members will want dual membership.

According to Tony Hoskins, the business development director at Initial Cleaning Services, the pace of change in the cleaning business is as fast as in the whole of facilities management.

Initial, which has its headquarters at Reading, is one of several BET group subsidiaries covering a number of aspects of facilities management including security, catering and plant hire. There is a total facilities management consultancy. Initial's clients include IBM, London's Plaza hotel, the London Stock Exchange, Goodyear's West Midlands factory at Dudley and Manchester airport.

Mr Hoskins says: "One growth element is moving into new areas such as transport, such as motor coaches, and some rail systems, although not yet BR. Companies are also beginning to realise that cleaning companies have a range of activities as technology has produced more specialisation."

Another growth element, Mr Hoskins says, is that companies beset by the recession have opted to extend the life of fittings and equipment through restoration rather than going for replacement.

The complexity of modern buildings with their air-conditioning and other ducting means that their needs are best met by specialists with a range of servicing techniques, including abseiling techniques developed by mountaineers.

This is reflected in the development of OCS, Britain's second biggest cleaner. It was founded by Frederick Goodfellow in 1900 when he worked in London armed with just a ladder, a bucket and a barrow. Now OCS has 40 subsidiaries and divisions aimed at dealing with most aspects of property maintenance. It covers cleaning, hygiene, security, refurbishment and total facilities management.

Cleaning of commercial properties accounts for about half its annual turnover of £195 million.

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# Who carries the BBC can?

Tomorrow the BBC governors confront a leadership crisis.

Peter Fiddick traces the story

Whatever the outcome of their deliberations this week the 12 members of the BBC's Board of Governors now have one subject firmly on the agenda: themselves.

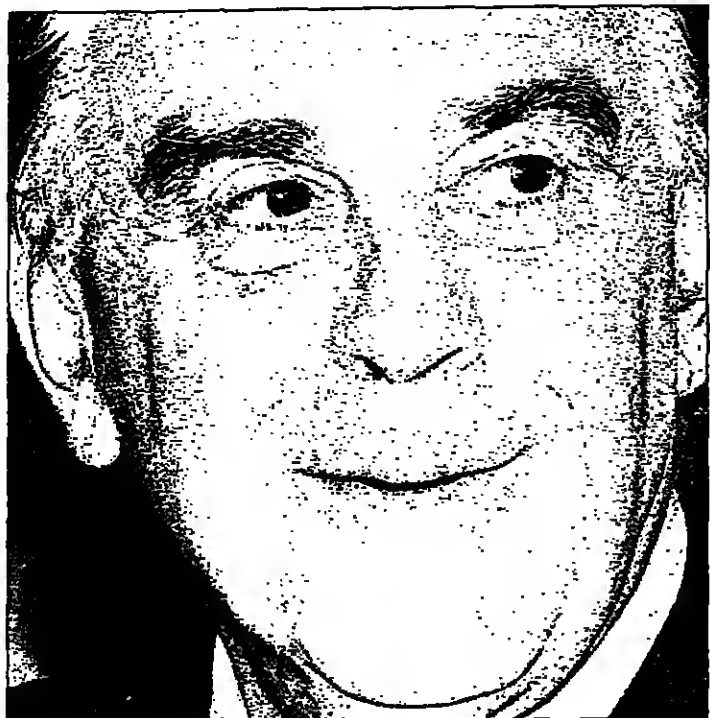
This is a week the governors will not easily forget. Yesterday they met for "informal" (ie emergency) discussions. Tonight they will see each other again for what seems bound to be a rather strained farewell dinner for Sir Michael Checkland. And tomorrow comes this month's scheduled meeting. Less than a week ago, it seemed that the affair of the director general's contract brought only his own role into question. Then, as it emerged that only three governors had known about the service contract arrangement between John Birt Productions and the BBC in 1987, and that one of those apparently disagreed at least with continuing it, the spotlight turned on the role of the chairman of the governors and his deputy.

Yesterday three leading newspapers called for Marmaduke Hussey's resignation. Last week's statement of confidence in Birt was signed only by Hussey — who has been abroad throughout the rumour until two days ago — and Lord Barnett, the deputy chairman. Other governors evidently met before taking a view.

It is a remarkable reverse in the public standing of the man who has been one of the most active, some would say interventionist, chairmen in the BBC's history. Appointed in 1986, on the death of Stuart Young, Hussey had his tenure extended two years ago for a further full five-year term. That would put him among the longest-serving chairmen.

"Duke" Hussey is a genial man and his early reputation was as one who listened to those around him, though his capacity for taking tough stands was never in doubt. He was the managing director of Times Newspapers who defied the print unions in 1979.

Sidelined by the News International takeover of The Times



Armanigat: Marmaduke Hussey (left) was one of the few governors who knew that John Birt (right) was not on the BBC staff



## THE SOUL OF AN INSTITUTION

THE BBC is accustomed to facing crisis. Over the years, there have been a number of causes célèbres, including *Yesterday's Men*, *A Question of Ulster* and *Real Lives*. But all these issues, deeply divisive at the time, were concerned with programmes. The crisis that has to be resolved this week deals not with personalities nor with programmes but with the institution itself.

All institutions base their foundations on a number of commonly held beliefs. Those who are part of the BBC know they are in a uniquely privileged position, with the public interest always foremost in their minds. If these

beliefs are ignored, the institution will lose its right to survive. In the BBC's most recent document, setting out its case for the renewal of the charter, the claim is rightly made that the BBC is the world's most trusted international source of news and information, culture and entertainment.

What has happened in the last 10 days has made the BBC not just the butt of cartoonists and comedians, but sadly has made it risible. The BBC as an institution has been wounded. How deep is the damage that has been done? How can it be mended? This is the issue the Board of Governors has to address tomorrow.

PAUL FOX

The author is a former managing director of BBC Network Television.

(though still a director until 1986), his main media activity was as a director of a commercial radio group until Douglas Hurd produced him in 1986 as the surprise successor to Young. But he had clearly not lost a taste for action. Ten weeks after Hussey's appointment he and Barnett called for Alasdair Milne, the director general, and demanded his resignation. The choice of Milne's successor

did not go Hussey's way. His own favoured candidate, David Dimbleby, did not find favour with the board. The vote went to Michael Checkland, who then declined to have Dimbleby as his deputy.

Later, Hussey once more found his colleagues divided on his wish to appoint John Birt. What followed was a bungle that now comes back to haunt the board.

Using an unusually closed procedure — no new-style advertising the job, no old-style internal board, but an evening over dinner — the compromise was reached of offering Checkland a one-year extension. He accepted. Birt was appointed D-G in waiting, and the 18-month period of shadow-leadership that followed contributed more than any other factor to the uncertainties and suspicions, inside

the Corporation and without, about the true intentions of those who led it.

And now, Armanigat. Once again, the executive style of the chairman and his deputy has highlighted the issue of the governance of the BBC.

Changes had already been signalled. The "Extending Choice" document raised the need for clearer separation of the powers of the governors and those of management. And the governors have moved from fortnightly to monthly meetings. But monthly meetings strengthen further the primacy of the chairman and his deputy, for they are now a permanent presence at the BBC. They have offices there, more knowledge of daily affairs than the other governors, more time to consider them than top management.

Only since Milne has the top executive been appointed on fixed-term contract, renewable as the governors see fit. The constitutional wisdom of having a chairman with a 10-year term and enhanced powers both over management, whose membership changes in the natural order of things, and over his part-time, shorter-term colleagues, seems an appropriate point at which the debate about the governance of the BBC might begin.

# Granada pleads not guilty

The Coronation Street company says its programmes are as good as ever

The Independent Television Commission meets tomorrow to decide its response to a charge that the company which produces the nation's most popular programme — *Coronation Street* — and a range of current hits from *Medics* and *Maidret* to the new *In Action*, should be deprived of its ITV franchise (Peter Fiddick writes). Either that, or the ITC itself should be arraigned for dereliction of duty.

Since the charges are made by Ann Clwyd, MP, spokesperson on national heritage matters for Her Majesty's Opposition, they have to be taken seriously — hence their consideration at a full assembly of the ITC. Her wide-ranging charges claim that the oldest and longest the most respected company in the network is, among other things, making fewer quality programmes than promised, while butchering its staff and board to an extent that makes it already not the company which won the new franchise.

This assault, producing a broadside of broadsheet newspaper headlines, was made at the same time as tabloid denunciations of a threat to sell *Coronation Street* to satellite television. It might come as a surprise, then, to find that Stephen Morrison, who as managing director of Granada Broadcasting has prime responsibility for its broadcasting policy and production, is in high spirits, already confident the company will be vindicated.

"I spent three days going through her letter to the ITC — she never sent it to us — and comparing it both to our present performance and to the promises in our franchise application," he said. "In our response, which the ITC now has, I have listed 21 specific allegations, all of which are untrue. And then I stopped. I am very surprised that someone in Ann Clwyd's position, and the MPs who supported her, should make such charges against

a company without checking them against the evidence."

Morrison, a small, vociferous 47-year-old Scot, asserts that Granada has never been in a stronger position, in terms of its network production, regional programming and audiences. It has never had a more active and programme-oriented board of directors, and currently employs more people than any other company in the network.

On the second issue — though by far the most important, if some reaction is to be believed — *Coronation Street* has now been saved for the nation, and with a useful hike in the rates.

But if the near future looks bright, the recent past has been painful. Morrison does not deny it. "What is true is that we are restructuring the company, and this has been a very painful process."

He denies that the company's new management sees the television arm simply as a cash-cow. "Granada always has been the most tightly — and most tight-fistedly — managed of the

ITV companies. The Granada Group quite properly wants Granada Television to be profitable, but we are also determined to remain a major producer-broadcaster and the group is committed to that," he says.

As part of that, he is intent on sustaining the company's talent base. If the number of staff has indeed been sharply reduced, it is still, Morrison claims, as large as any comparable company's. "While we can keep production high, we can keep employment high. In 1991, Granada had 1,460 employees: currently the figure is 1,316."

Steve Morrison is avowedly intent on re-establishing Granada's reputation as a maker of bold, innovative programmes. The Lab, our assault was an unlooked-for diversion which if his view of the record is sustained may be about to prove an unexpected ally.



Happy: Julie Goodyear in Coronation Street

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**Rachel Kelly** looks at the changes in Britain's housing habits in the recession and **David Thurlow** examines the advantages of renting

# The hunter who filmed 40 flats



This should be done hand-in-hand with Labour's plans for a National Registration Scheme, to police standards and act as some form of quality control. An excellent model already exists in Australia, and should hold no fear for responsible landlords. Then we might no longer be the odd man of Europe.

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# Take a taste of the good life

David Crawford reports on the chances of finding that cottage on a large estate

Renting rather than buying is becoming increasingly popular throughout the United Kingdom, with agents reporting buoyant demand in most areas.

Mobile young professionals, for example, are making the most of the opportunity to defer a purchase until the economy and their careers both stabilise, while former owner-occupiers may be between purchases or, sadly, repossessed.

Part of the attraction is that, as recent research by the Association of Residential Letting Agents (ARLA) suggests, renting is presently cheaper than buying in most price bands, even with low interest rates. In Brighton, for example, a three-bedroom town house valued at £80,000 costs £498.33 a month to rent as opposed to £681.83 to buy, with move-in costs, at £1,100, a tenth of the £10,000-plus burden for a purchaser.

With many more properties now available for letting, thanks to the 1988 Housing Act and the number of owners anxious to earn an income from homes they cannot sell, price competition is becoming keen. A young couple setting up home and waiting to purchase can find a two-bedroom property for about £450 a month in Hertfordshire and for £350 or less a month further north.

Cost-conscious companies are warming to the idea of renting property for staff waiting to sell homes after a move rather than supplying them with bridging finance. In the north-west, Shell and Unilever have contributed to a

marked, post-Christmas surge in demand for higher-valued property which is creating something of a local scarcity.

South Manchester is benefiting from a wave of company moves into Trafford Park and the Runcorn/Warrington area. The local agent, Swetenham, has recently achieved rentals of £1,100

"They are snapped up by people who have sold city houses and paid off debts"

plus a month for detached houses for relocating executives.

At the same time, "there is a consistent market for smaller, medium-priced lettings", says Mollie Osbourne, of Swetenham's, who quotes £350 a month for a modernised terraced house on the outskirts of Chester. "Enquiries for these are mostly from future first-time buyers who prefer to get to know the locality and the availability of property to purchase."

The Midlands has also experienced an upsurge in demand for

lettings. Shipways of Solihull presently lists properties at rents ranging from £295 a month for a one-bedroom apartment to £900 a month for a fully-furnished Grade-II listed house in Edgbaston, close to Birmingham city centre (£750 unfurnished). This house was made available by an owner who is unable to find a buyer and illustrates the fact that there are some very attractive properties on offer. Some, too, are in very pleasant locations.

One option which is increasingly appealing to tenants is to rent a property from an agricultural or landed estate.

Travel to work times need be no greater than from a commuter village and there is the added attraction of enjoying a lord-of-the-manor lifestyle at a fraction of the cost. "More and more people are happy to rent out of town as long as the commuting time is reasonable," says Malcolm Brooks, of Countryside Surveyors of Southend. "They want houses with gardens in the country and not flats with cramped balconies (if any) in London."

Guy Jenkinson, of Bidwell's Ipswich office, notes an upswing in the number of Suffolk farmhouses and country mansions coming on to the rental market in the first quarter of the year. "They are being snapped up by young professionals who are moving into East Anglia, having sold their city houses and paid off debts," he says.

Anna Timmis, of Strutt & Parker's country letting department in Newbury, Berkshire, has properties on her books at monthly rentals starting from £400 for a Berkshire gamekeeper's cottage to £3,000 for a ten-bedroom Sussex manor house standing in four acres and furnished with antiques in every room. She finds strong demand for anything within easy travelling range of London.

There are two important points to bear in mind with estate lettings. The first is that estates tend to look for longer-term tenants — unlike individual owners who normally let for six months — and the shortest average period of time that is available as an assured shorthold tenancy is three years.

The second is that estate property tends not to be in as good a condition as individually owned lets in city centres. Modernisation programmes move slowly. "Unfurnished often means what it says," Ms Timmis says, "you bring your own washing machine."



Hall O'Coole, a 17th-century house with moat near Nantwich, Cheshire for rent at £1,250 a month from Strutt & Parker

## When landlord and tenant benefit

The view of renting has changed from the buy and sell years of the mid-1980s

In the mid-Eighties when owning a house was a licence to become rich if you sold, sold and sold again, renting was not a word that passed many a lip.

Companies might rent property for visiting executives or as temporary accommodation for staff relocated to a different branch or office, but for everyone else, from the young man or woman in their first job to council house tenants, property owning was the only aim.

It was backed by Baroness Thatcher and Nigel Lawson, the then Chancellor, who wanted Britain to become a property-owning nation, and heavily supported by every organisation who could lend and make money from home purchase: banks, building societies and insurance companies.

The view of renting was rooted in folk memories of slum conditions and poverty. John Birch, the deputy chairman of the Association of Residential Letting Agents, says: "It was psychological, an image of slums and slightly seedy places, a political ethos with basic instincts driving young people into owning property."

All this has changed, for two very good reasons. The first is the

Housing Act 1988 which came into force on January 15, 1989. The Assured Shorthold Tenancy Agreement that was part of it allows most properties to be let by individuals on their own or through agents, while enabling landlords to regain possession at the end of the fixed rental term.

Rowena Gilbert, the lettings director of Chestertons Residential, says: "This allows landlords an opportunity to rent without the fear that tenants would not get out. The simplification of the legal side freed the market and reassured landlords of their safety in rentals."

The new act achieved something else that no politician had foreseen: it arrived at the moment when the housing market began perhaps its worst collapse in history. "It was not just useful,

It was essential," Mr Birch says. As the market fell and fell further, couples who had plunged money into homes through enormous mortgages experienced the unthinkable: negative equity. No longer were houses automatically a good investment. In many cases they were a huge loss-maker.

One big advantage in an uncertain economic climate of redundancy and recession is not having to commit yourself to a big mortgage.

Juliet Hoeg, the residential lettings manager for Halifax's London and east region, says: "In a falling housing market people have been scared to commit themselves to a mortgage during the fluctuation of interest rates and job losses."

"If you rent you know how much you are going to pay. At the end of the tenancy you just move out.

There is no capital investment involved. If things go wrong the headaches are the landlord's."

Robert Orr-Ewing, the partner in charge of Chelsea lettings for Knight Frank & Rutley, argues that renting enables tenants to keep all their options open for as long as they choose. But he admits that there are disadvantages, too: "You are not master of your own destiny — it's the old tenant and landlord relationship. The attitudes are beginning to change, but it is like a super-tanker changing course. It is slow."

The main argument against renting is that paying rent is money down the drain, when it could go towards paying off a mortgage on your own property, with a profit and equity when you sell.

That was an obvious disadvantage for people renting in a rising market — for a lack of capital investment meant a lack of capital accumulation. That is not the case now, and for more than one million mortgage payers, snared in the negative equity trap, it may not be so for years to come.

DAVID THURLOW



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# Regulator with bite

State Agents have a bad reputation and residential letting agents are their poor relations," Neville Lee says. "Memories of Ractmanism do not help."

Partly as a response to this image problem, he set up the Association of Residential Letting Agents (ARLA). At a 1982 meeting of estate agents, Mr Lee and another letting agent began an organisation catering specifically for their needs. Eleven years later, Mr Lee is chairman of a body that has 270 member firms. Since 1991, its membership has increased, but Mr Lee says, this has been achieved without any compromising of standards. "There are," he adds, "many firms that would wish to join us but do not measure up."

In a wholly unregulated business, where anyone can set up and start handling other people's money, the ARLA logo represents certain standards. Last October, the association introduced its bonding scheme, which is backed with guarantees.

To join the association, companies must have operated for a minimum of two years, carry

Residential letting agents were the poor relations of the property business until they got together in an association to improve their image, James Fisher says



Effective campaigner: Neville Lee, the chairman of the ARLA

'There are many firms that would wish to join us'

appropriate insurance, have immaculate bank references and property ordered and audited accounts and must pass an interview.

Mr Lee says that now the association is bonded, a client's money is safe in the hands of an ARLA member. A tenant knows that their deposit is kept separate from the agent's other business money. Landlords know the same about their rents.

Robert Jordan, of Robert Jordan and Associates in Wiltshire, near Manchester, applied for membership and was accepted two years ago. He is now on the association's council and admits his partiality.

He chose to join because, he says, it was the only body totally committed to residential business lettings. He is also a fellow of the Royal Institution of Chartered Surveyors but found that organisation too large to concentrate solely on this part of the market.

He has found membership useful for contacts and problem-solving through the association's

quarterly magazine and its regional meetings. He considers the bonding scheme particularly attractive since it acts as a catch-all. Interest in the association in the North is growing and Mr Jordan is having to deal with a growing number of applications. He hopes that membership will have the effect of avoiding "being tarred with the same brush as one-man bands operating with portable phones but no protection for a client's money".

Although Mr Lee considers "self-regulation one of the attractions of Conservative policy", Mr Jordan thinks that the association's code of conduct and its standards could be adopted by the government to impose regulation on the business. He wants consumer protection put first.

In addition to self-regulation and providing information to its members, the association is very involved in lobbying. Mr Lee has made it

into "an effective campaigning body with a high political profile". He says that the government should encourage institutions to provide stock for letting as an investment, by reinforcing confidence in the market.

He says that mortgage income tax relief should be phased out because it is "the single most inequitable piece of housing legislation". Ending it would provide people with a real choice between buying and renting, he says.

ARLA has nothing against home ownership but believes that choice is something to be aimed at. It wants Britain to move towards the continental system of tenure.

Only 7 per cent of Britain's housing stock is rented while in France the figure is 20 per cent and in the former West Germany, more than 40 per cent.

The association is trying to raise the profile of the rented sector as a real option, especially for young professionals who might need to be mobile. Mr Lee believes that those thinking of buying should consider this mobility, as well as the negative-equity factor — whereby outstanding mortgage amounts

exceed the value of a property — and the hidden costs of home ownership, such as insurance and maintenance.

Perhaps surprisingly, Mr Lee often finds himself in agreement with Shelter, the housing charity. He sees the rented sector as the way out of present and future housing problems.

The 1988 Housing Act has gone some way towards helping the rental sector and the association aims to go further.

If the government acts to remove the inequality — as the association sees it — between renting and buying, the association will make certain that residential letting agents will not let their side down.

Unless the government intervenes to regulate the business, ARLA will be the best source for the government to consult and the leading organisation in this burgeoning market.

The association may be self-regulatory, but, Mr Lee says, "it has got teeth and it does bite".



A Georgian house at Hamilton Terrace, NW8: £1,500 a week rent through Hamptons

## A nice little earner

Traditionally, returns on residential letting have not been high enough to attract either institutions or individuals.

However, things change. Rented properties in London are now offering yields of 10 per cent, which compares favourably with much else presently on offer. With interest rates down, sterling devalued and property prices low, agents have noticed an increased demand in this sector of the market. And the government has not made a secret of its desire to see institutions investing in residential letting.

Paul Barnes is the managing director of Paul Barnes and Co, which acquires and sells residential property in central London for investment. He has recently seen a "surge of interest from buyers looking for yields of 9 to 10 per cent" and foresees a shortage of good quality stock. The investment money is mainly from overseas, particularly Hong Kong and Singapore.

This market is characterised by people "buying one flat or house, which offers a better yield than money sitting in the bank, potential for capital growth and somewhere to move to at a later date".

Domestic demand has also picked up with the return of traditional developers. Although the past couple of years have seen the movement away from buying

Properties in the capital can fetch returns of up to 10 per cent

Mr Barnes does not expect Britain to develop along continental lines. He believes that owning a home "is now so ingrained in the British mentality that once certainty returns, there will be a return to buying". He has noticed no interest at all in investment from the institutions.

The government has long been keen to revive the flagging private rented sector. The 1988 Landlord and Tenant Act was designed to open the market and attract investment from institutions, by sweeping away controls.

However, the market has continued to decline and institutions have paid it scant interest. So the government is now conducting a public debate about how to continue.

Among options being considered are tax breaks for owners of privately rented property, in the form of subsidies or grants.

A Whitehall source confirmed the government's interest in the private rented sector, referring to its manifest commitment and going on to say: "It has a useful function to fulfil between social

housing and privately owned homes."

But Robert Orr-Ewing, in charge of residential lettings at Knight Frank & Rutley's Chelsea office, emphasises that the 10 per cent yields being quoted are a gross figure. Once the agents' fees, maintenance and potential time spent vacant are taken into account, the amount received is less. There are also other factors to be considered such as capital gains tax and insurance.

But despite his realistic attitudes to the business, Mr Orr-Ewing has satisfied clients. He gives as an example one who presently lives in Germany but who wanted to invest in property in Britain. Knight Frank & Rutley found him a flat in Courtfield Gardens, South Kensington, for £200,000. The flat was immediately let to a bank for £450 a week. This translates as a gross yield approaching 12 per cent.

Robin Paterson, of Cluttons, was involved in the sale earlier this year of Sands Wharf, a development of 127 apartments, to a Hong Kong syndicate. Cluttons is now marketing the flats individually as investments, mainly in Hong Kong. However, with prices low and the pound devalued, Mr Paterson says: "The main motivation is not yield but perceived capital appreciation."

JAMES FISHER

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## THEATRE page 42

Dame Judi Dench talks  
about her role in *The Gift*  
of the Gorgon, coming  
into the West End

## ARTS

## MUSIC page 43

Simon Rattle: a spirited  
romp through the music  
of the Twenties with  
the London Sinfonietta

ARTS  
BRIEFINGAt long  
last,  
Edith

THE literary executors of Edith Wharton must be dancing with glee. After decades of popular and critical neglect, Wharton's novels of social manners (mostly set in old New York) are being scooped by American film-makers for potential screen material. Martin Scorsese's *The Age of Innocence* is expected this autumn. Before that we are promised *Ethan Frome*, a stark New England tragedy, with Liam Neeson and Patricia Arquette.

Further ahead lies *The Custom of the Country*, a satire on nouveau riche Americans at home and abroad; while the film rights to Wharton's unfinished *The Buccaneers* have recently been sold to Twentieth Century Fox.

THE National Campaign for the Arts holds a press conference this morning, ostensibly about the National Arts and Media Strategy. But at the end the NCA's director, Simon Mundy, is expected to make his own announcement: his resignation. "My predecessor, Simon Crine, did it for five years and said it was 18 months too long," Mundy says. He leaves in August after three and a half years, with no job lined up yet.

## Discount dancing

A PRICE war in the ballet world? That looks likely as the Royal Opera House announces a ticket discount policy for its summer season which features the Birmingham Royal Ballet. A ticket can be had for as little as £1.50 or as much as £41.50, with 43 per cent of the seats at £15 or less. Covent Garden's special prices help it to compete with the many other ballet performances being offered this summer. Biggest seller is likely to be the Kirov at the Coliseum — despite ticket prices ranging from £50 to £65. But the clear winner is English National Ballet with a top ticket price of £32 for both its London seasons, at the Savoy Theatre and at the Festival Hall.

## Last chance...

FRANKIE Valli, former lead singer of the Four Seasons, last toured Britain a year ago, to a chorus of enthusiastic reviews. Valli's window-rattling falsetto graced a repertoire of hits including "Sherry", "Big Girls Don't Cry" and "Walk Like a Man". His tour ends at St George's Hall, Bradford (0274 75200) tonight; St David's Hall, Cardiff (0222 371236) tomorrow; De Montfort Hall, Leicester (0533 344444) Friday; Brentwood Leisure Centre (0277 262616) Saturday; and London Palladium (071-494 5058) Sunday.

Nigel Hawkes on the £2 million restoration of the Old Royal Observatory at Greenwich

## New light on ancient wisdom

The Old Royal Observatory at Greenwich lies at the centre of time and space. Here, by taking a step, you can cross from the eastern to the western hemisphere, or teeter drunkenly along the very Meridian line itself.

Time is told by the most remarkable clocks ever constructed, the marine chronometers of John Harrison, who finally cracked the problem of measuring longitude at sea. Add a building by Wren, the best view in London, and the National Maritime Museum just down the hill and the combination is irresistible.

The old observatory has just undergone a £2 million refit at breakneck speed, and reopens next Wednesday in time for the hordes of serious-minded Germans, French, Italians and Japanese who seem to value the place more than we do. The curator of astronomy, Dr Kristen Lippincott, says that British school groups are relatively few and often lack the application of the foreigners.

In just six months of work, 16 major galleries have been refitted, new heating and an entrance hall installed, and Wren's Octagon Room, with its breathtaking views, restored to an almost unnatural glossiness. The speed was dictated by Treasury rules which insisted that the cheques for the government's share of the restoration be signed by the end of the financial year. The result, however, will be splendid.

Lippincott trained as an art historian and spent ten years at the Warburg Institute before being tempted to Greenwich two years ago. She is full of enthusiasm for the new displays, which take time and space as their themes and blend handsome old objects with modern explanatory techniques. "We didn't want it to look like a plastic science museum," she says.

The observatory was founded in 1675 by Charles II with the aim of using astronomy as a way of measuring longitude at sea. Navigators had long been able to discover how far north or south they were by the elevation of the pole star above the horizon, but determining longitude was more difficult. The idea that inspired the observatory was that of cataloguing the stars so accurately that they could be used as a clockface against which the motion of the moon would serve as hands.



The curator of astronomy, Dr Kristen Lippincott, in Wren's Octagon Room which, with its breathtaking views, has been restored "to an almost unnatural glossiness"

John Flamsteed, the first astronomer royal, spent all his working life at Greenwich, up by night measuring the positions of stars and sleeping by day. From his stipend of £100 a year he had to purchase his own instruments. He lived on the spot, in four small rooms that have now been restored to something near their original condition. The telescopes he used are upstairs in the magnificent Octagon Room, which was built, said Wren, "for the astronomer's accommodation, and a little for pomp". In fact, Wren built the room on old foundations so that it does not face due north and south, and was less useful as an observatory than it

might have been. Flamsteed actually did most of his work from an outbuilding.

Now, says Lippincott, the Octagon Room will be available for the holding of dinners and it may also possibly be used for small concerts. On a summer evening, with all London laid out from its tall windows, that would be a magical experience.

The restoration is faithful but some may feel the patina of the years has been lost, leaving the room as bright as a newly-restored old master. Paint has been stripped from panelling, and walnut-staining replaces it. The room will be left uncluttered, with only a few tele-

scopes pointing hopefully through the windows.

Ultimately, in spite of poor Flamsteed's efforts, it was the clockmakers and not the astronomers who solved the longitude puzzle. The Admiralty's offer of a prize of £20,000 inspired some ludicrous suggestions. Lippincott's favourite is the "powder of sympathy", a material held to possess extraordinary properties. Anybody injured by a knife would feel pain, no matter where he might be, if the same knife were later plunged into the powder of sympathy.

So the notion was to station on all the Royal Navy's ships a dog which had been hurt by a particular knife.

At noon each day, the knife would be plunged into the powder of sympathy, and the pathetic whining of the dogs on far-flung men-of-war would tell the sailors it was noon at Greenwich. By comparing that with local time, they would know their longitude.

John Harrison's proposal to make a clock that would keep perfect time on board ship must have seemed hardly less improbable, but he achieved it. The news cannot have been welcome at Greenwich, for it meant an end to the astronomers' efforts to solve the problem alone. Like many an inventor since, Harrison's life was made a misery as he tried to claim his prize. At one point, he was prepared to sell the invention to the French for £4,000, cash in hand, but the envoy from Paris arrived with only £500 in his pocket.

Now his four chronometers are on view at Greenwich, together with a video which explains their mysteries by removing the plates from the back one by one to reveal the ingenuity of the mechanism: the bimetallic strip that compensates for temperature changes, and the roller bearing invented by Harrison.

Like all old houses, the observatory reveals its history in a series of geological layers, each representing a new Astronomer Royal. Until the 1940s they all lived here, importing their own instruments and building new additions to house them. Then the light and dirt of the city became too much, and the telescopes were moved to Herstmonceux. Today the Royal Greenwich Observatory is in Cambridge, while the telescopes it runs are on La Palma in the Canary Islands.

At the Old Royal Observatory the architects Stanton Williams, specialists in fine art exhibitions, have arranged the new displays. Not everything can be shown, but there will be open stores, available to those who ask, where the reserve collection will be crammed on shelves like an old-fashioned museum. This, says Lippincott, should



This engraving, dated 1680 and on show at Greenwich, shows the original decor of Wren's Octagon at the Old Royal Observatory

## TELEVISION REVIEW: Alan Hamilton rejects a supposedly feminist vision of the Princess of Wales

## No way to treat a lady

According to Camille Paglia, a feminist academic with a voice like a chainsaw and a mouth from which all traces of humour appear to have been surgically removed, "Charles is dogmeat in America now for the way he treated his wife." Diana, meanwhile, has become everyone's pedigree chum.

Well, rather more than chum, actually. In *Diana Unclothed*, last night's offering in Channel 4's *Without Walls* arts series, the rasping Paglia attempted to analyse the Princess of Wales's allure, and concluded that she was the overly sexual reincarnation of an ancient pagan mother-goddess. The only unclothed on view was courtesy of that low-cut black dress from which she once very nearly escaped while getting out of a car. In the end, Channel 4 cut the much-discussed cartoon showing

the princess in Union Jack G-string with Prince of Wales feathers where tassels might have been.

As if she had not already suffered enough from telephoto lenses and telephone tappers, the princess is now in peril of being deified by all right-on social theorists. "She is the ultimate feminist of the end of the century," Paglia declared. "She has used her position and charisma to fight off all the inherited inertia of the House of Windsor." Her marriage having failed, Diana now enjoys an erotic relationship with her public, and they with her, except that Paglia regarded us as too repressed to recognise the fact.

But with whom to compare this role model for modern woman,

Without Walls  
Channel 4

who has wrested back control of her own life from the dead hand of tradition? Paglia viewed her as saint and slut, Mother Teresa and Madonna combined in one ravishing but untouchable body. Diana was, in addition, the Lady of Shalott, Sleeping Beauty, Garbo, Dietrich, Neferiti, Botticelli's Venus, Boadicea and a figure from a pre-Raphaelite painting. Fairy-tale princess in the tower, silent movie star or schemer: take your pick.

What she was certainly not, it was agreed, was a Page Three girl.

Anthony Holden, the princess's biographer and a moderately sensible voice amid a babble of American Fernspeaks, explained that her eroticism was not of the do-not-touch variety. Others viewed her as the last of the silent movie stars, conveying sexuality by actions and body language rather than words.

Holden explained that 12 years ago the virgin-child had entered into an arranged marriage, a marriage of necessity in which her husband never looked upon her as a wife but merely as a machine for producing heirs. She started as the girl-next-door princess who shopped in the high street, but was now just what the British wanted: a

Walt Disney princess on a pedestal. This, it was noted, was "a trick the galling Fergie never managed". The *Disney* film in which the princess gets her friends to talk to Andrew Morton does not immediately come to mind.

Paglia's examination ultimately condemned itself by treating the princess in exactly the way that feminists demand women should not be treated — as a commodity. As an analysis, it came from the same direction as the old American view of the 1936 abdication crisis as a simple love story. But Diana was undoubtedly the yapping Paglia's embodiment of 21st-century woman, as expressed in her final gratuitous observation: "If she has liaisons, I hope that they will be discreet, and that they will be mere toys to fill up her empty hours." This sort of garbage should not be fed to one's dog.

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THEATRE: Benedict Nightingale disinters *Unidentified Human Remains*

## Piece for the wicked

Is civilisation nearing its end? Brad Fraser's play *Unidentified Human Remains* and *The True Nature of Love* comes to the Hampstead Theatre, London, from the Canadian city of Edmonton, which the programme tells us is famous only because it has the largest shopping mall in North America: via Edinburgh, where the Whitehouse system of values once ruled local taste. And it is as seamy a piece as we have seen in ages. If Stevenage was revealed as Sodom, and Tumbidge Wells as the new theatrical Gomorrah, its provocation could hardly be more unsettling. If you shy away from mimed fellatio and the like, stay at home. But if your mental hide is tougher, you are sure to be struck by Fraser's *fin de siècle* imagination and his play's end-of-millennium feel.

The impression he gives is of a world gone violently awry: a spiritual madhouse whose inmates are linked largely by the forlorn messages they leave for one another on the creamy-looking gadget that sits just behind the big, purple bed that dominates a bleak, shadowy stage. Why Fraser does not give his telephone answering machine a place on the cast list, I do not know: at times it might almost be the central character.

"Call me" is certainly the central line. At one of several moments when Ian Brown's production shifts from rawish realism to a mournfully choric mode, the characters simply repeat the words one to another. Call me, call me, call me, and answer comes there none. As the title ruefully indicates, these are incomplete people reaching out for a contact they mistrust, a love in which they scarcely believe, and a wholeness not to be attained on Planet Earth, at least not in our era.

The result, could I suppose, be self-conscious and pretentious. But, curd, edgy dialogue and sharp,

sensitive acting ensure that Fraser's Edmonton is as vivid a townscape as David Mamet's Chicago. I even found myself believing in Benita (Irene Macdougall), the psychic prostitute who spends her off-duty hours relating tales of massacre and mayhem and her on-duty ones twiggling the identity of the serial killer who has been terrorising the female populace of Alberta.

The story comes, as it should, in nervy fits and starts, but mainly concerns two people. David (Dougray Scott) is homosexual, but shares an apartment with Candy (Lesley Vickerage), whose predilections are more mainstream. He precariously sustains an old friendship with Bernie (Kenneth Bryans), who likes tying up women and threatening them, while launching into a new one with the naive, insecure Kane (Tom Smith). She rejects a politely distraught lesbian (Charlene Jones) for a glamorous bartender (Silas Carson), only to find that he, too, has louché secrets and dark propensities.

Ennui and a kind of offhand despair are everywhere. Aids is on the periphery, a half-wanted, half-fearful killer; yet the effect is often incongruously funny. David's nihilism and self-destructiveness tend to be wry and self-mocking: a paradox well within the range of Scott, an actor able to joke without seeming lightweight and sneer without becoming camp.

Perhaps the ending seems a mite sentimental, given the sombre feelings that have preceded it. Perhaps the serial killer, when his identity is finally revealed, enunciates his Nietzschean philosophy a little glibly. Perhaps this, perhaps that. *Unidentified Human Remains* is still a credit to the Traverse Theatre, where the production first appeared, and quite an advertisement for Fraser: a disconcerting new talent, but a true one.

Waiting for the end of the world: Dougray Scott and Tom Smith in *Unidentified Human Remains*

## POP CONCERT

## A heady blast from the past

Brenda Lee  
London Palladium

offered a textbook example of how to fulfil the expectations of fans while still keeping a few surprises up a spangled jacket sleeve.

The biggest-selling female star in pop history will be 49 next birthday and favours, not leather underwear and conical bra, but the rhinestone cowgirl look that was such an essential part of the Ewing women's wardrobe in the days when the whole world watched *Dallas*.

Brenda Lee made her first record at the age of 11, and last entered the British singles charts in 1965, nearly two decades before Madonna's first hit. It could be tempting therefore to view her first British performances in several years as purely anachronistic — a sentimental journey back to a long gone era. But, as Lee's energetic and enjoyable show — her second of the evening — demonstrated, you don't sell more than 100 million records by accident. From the top of her strawberry blonde bouffant to the soles of her silver shoes, the woman once billed as Little Miss Dynamite still has the presence of a bona fide star.

Inevitably, her set came packaged as part of a nostalgia night, taking the stage before her were Chris Montez, Len Barry and Johnny Tilotson, each survivors of that awkward period when crooners struggled to swim against the rushing tide of rock 'n' roll. Yet Lee's continuing viability as a record artist — since bowing out of the pop arena she has continued to enjoy extensive success on America's country charts — gave her the confidence to attempt more than just a rose-tinted trawl through her own back catalogue. From an opening "I'm So Excited", once a hit for the Pointer Sisters, to a farewell version of Status Quo's "Rockin' All Over The World", she

No one could pretend Lee is a great interpretative singer — a wooden reading of "Wind Beneath My Wings" was the least impressive moment — but her big, brassy voice remains perfectly suited to both lachrymose ballads ("As Usual", "I'm Sorry") and raucous 1950s rockers (her own, such as



Still dynamite: the ageless Brenda Lee

"Let's Jump The Broomstick" and "Sweet Nothin'", plus the likes of "Jailhouse Rock" and "Great Balls of Fire"). More remarkable, though, was her mastery of that area where rock, country and gospel all collide — hence pugilistic but unexpectedly moving versions of Bill Withers' "Lean On Me" and Jackie De Shannon's "Put A Little Love In Your Heart". One might choose to measure Lee's enduring talent by the standing ovation she won from a packed house of fans, but by that point there was nothing left to prove.

ALAN JACKSON

CONCERTS: Rattle explores the 1920s; new music at the Academy; touring Russians; and a fine Rachmaninov celebration

## Focusing on the miniatures

London Sinfonietta/  
Rattle  
Festival Hall/Radio 3

Simon Rattle's great cultural pantomime, otherwise known as the "Towards the Millennium" festival, continues to rumble through the 20th century on its epic ten-year journey. This season it has reached 1920s-land. Crazy, exuberant programmes are tumbling out all over London, Birmingham and Cardiff. Make sense of them if you can. The back-to-back musical contexts are often bizarre, rather like some breathless newscaster. You know the kind of thing: "It's 1926! Hemlines are up! Mussolini survives assassination! And Cambridge win the Boat Race!"

But that only reflects the fractured Zeitgeist of the decade. The one point upon which composers, artists and writers agreed was a negative: never again would it be possible to trust the big idea, the grand gesture. The big idea had died on the Somme.

Composers reacted to catastrophe by looking away from their defaced European legacy towards "primitive" jazz, or "untamed" folk traditions. In general, too, they thought small. And many of them chose to hide behind the cloak of irony, the veil of surrealism, the mask of neo-classicism. Even so, it was not a good decade for trend-spotters: the



Simon Rattle: in his readings, he showed the panache of a born Playschool presenter

diversity still defies analysis. Chalk certainly met cheese in Monday's generous London Sinfonietta concert. For example, could Bartók's wild and weird *Village Scenes* — with its haunting folk-tunes

separated by ferocious skirls on clarinets — have sprung from the same planet, let alone the same year, as Vaughan Williams's serene and sensuous *Flos Campi* for viola (Paul Silverthorne producing mel-

low magic, small orchestra and wordless choir? To see the Bartók as progressive and the Vaughan Williams as hopelessly retrospective is tempting but simplistic. *Village Scenes*, despite

its stinging dissonance, evokes a curiously stable and enclosed world. It was a world, as Bartók well knew, that was doomed by urbanisation. Whereas *Flos Campi*, for all the radiant contentment of its ending, contains within it the lit fuses that were to blow apart Vaughan Williams's music of the 1930s. In a sense, then, it mirrors the false peace of the 1920s more truly than Bartók's ostensibly more trenchant music does.

Elsewhere, Stravinsky's own "village scenes" masterpiece, *Les Noces*, jangled along with the rhythmic punch of its four pianists and seven percussionists matched by strong declamatory singing from the London Sinfonietta Chorus. From the other side of the globe, Villa-Lobos's *Choros 3*, rich in Amazonian onomatopoeia, was passionately delivered by the male voices. And *Rikadia*, Janáček's delightfully pithy settings of animal rhymes, held the ear by sheer minimalist ingenuity.

Rattle conducted everything with an impassioned missionary vigour, and read out the translations of the *Rikadia* rhymes with the panache of a born Playschool presenter. What's more, he even extricated himself and his generally excellent players from one ghastly hole by turning to the audience, declaring the movement "a disaster", and starting it again. Pity we can't do the same for the 20th century.

RICHARD MORRISON

## Music is more than a matter of the notes

Da Capo Festival/  
Arditti Quartet  
RAM/Purcell Room

guitars (Mark Eden and Christopher Stell) by Susi Laurie (born 1971), and

Imagine that you are listening to the finale of a clever set of variations, Chamber Concerto, by Paul Pelly. Here comes the soloist's cadenza. Just where you would expect, even in a form where the traditional fast-slow-fast scheme of things has been disguised by the fact that these variations are only the second movement. But hold on. Why does Pelly give us just what we would expect? For that matter, why does his music, well written though it undeniably is, and well played by the viola soloist Kenna Matsumi with an excellent small ensemble under Martin West's direction, seem so inconsequential? This is Pelly's Op 55, even though he is not yet 30 years old.

Pelly presents us with the classic paradox of being a serious composer. As Nicholas Maw pointed out, on awarding the students' composition prize jointly to Adam Gorb (for his *Metropolis* for wind band) and Luminia Spînu (for *Between Heaven and Hell*, for orchestra) at the close of the Royal Academy of Music's Da Capo festival, getting the notes onto paper is the most difficult process of this masochistic craft. Yet an obsession with becoming fluent at that process can lead to neglect of giving the notes real substance. In an age of pervasive Muzak, how tempting to write a highbrow form of exactly that, to attempt success through, as it were, saturating the market.

Happily, not everything in the closing pair of concerts in this extravaganza IBM-sponsored feast (17 concerts of music by RAM alumni as well as talks and workshops) inspired such soured thoughts. Early in the evening I heard a marvellously challenging piano piece by Nigel Clarke (born 1960) called *Solstice* (brilliantly played, too, by Graham Caskie), the beautiful and delicate *Hostile Light* for two

the rather touchingly nostalgic Elegy for piano (Eun-E Goh) by Timothy Seidon (born 1964). Later, in the RAM Symphony Orchestra's enormous concert, there was the imposing *Melody, Harmony* by the Korean-born Shinu Lee, 24 this year.

The certainty, substance and originality of this statuette piece could not be missed. Though obviously less highly developed, it nevertheless sat quite comfortably in the company of Harrison Birtwistle's *Gawain's Journey*, a powerful work derived from his 1991 opera *Gawain*, and in that of Maw's own deeply satisfying and spacious orchestral lullaby *The World in the Evening* (1988), by turns ripe with lyrical and nightmarish.

In these works, as well as Edward Gregson's sub-Tipsterian essay *Blazon* and Paul Patterson's extravagant and exuberant *White Shadows on the Dark Horizon*, the orchestra, conducted by Nicholas Cleobury, played with that sense of occasion almost uniquely the province of young musicians. Their technical expertise was formidable, their excitement obvious.

IN THE Purcell Room on Thursday, the Arditti Quartet gave the second of their four concerts containing all the string quartets of Schoenberg and much other Viennese music besides. Here, rather than the rather rigorous lines of Schoenberg's Fourth Quartet, what impressed was the luxuriant warmth of Webern's *Langsam Satz* (1904) and the mighty single movement of Zemlinsky's Second Quartet, Op 15 (1914), which contains a wealth of ideas and emotions. The playing was of exceptional confidence and insight. The final concert will be on Friday.

STEPHEN PETTITT

## TOMORROW

NEW CINEMA RELEASES: *Hoffa*, writes Geoff Brown, turns out to be "a film about Jack Nicholson in funny make-up"

HILARY FINCH

## DANCE

## Man of mystery

Charles  
Leicester Cathedral

SO WHO is the Charles of Beppe Blankert's title? He is the American composer Charles Ives whose individualist music has fascinated one of contemporary dance's most judicious and thought-provoking choreographers, Charles (Charles van Tassel), and actually forms the first half of a larger-scale piece called *Ives*.

Commissioned by Blankert's Dutch compatriots for performance in an Utrecht church, Charles has been upgraded to Leicester Cathedral for its British performances, a surprisingly intimate and appropriate setting. It was beautifully presented by two male dancers (Fabian Galama and John Taylor), a baritone (Charles van Tassel) and a pianist (Gerard Bouwhuis), each one complementing and enhancing the other.

The opening performer, however, is Charles Ives himself, playing and singing — rather out of tune — one of his songs in a scratchy recording. Bouwhuis and van Tassel, a specialist of Ives's songs, then take over, altogether more smoothly professional. The songs which supply most of the music are early ones, but display well the composer's different facets: the sentiment, as well as the playfulness.

Out of this material, Blankert conjures up an infinite variety of means, pace and mood. She peppers the piece with dialogue between van Tassel and Taylor, the dominant dancer (the Charles of the title). Sometimes the songs hold the stage alone; sometimes the dance solos or duos, performed to silence or to the piano, in Blankert's streamlined but dancery choreography. Or sometimes all activity is suspended, the participants motionless in a magical hush tinged with sadness.

NADINE MEISNER

## Second team to the fore

SPSO/Dmitriev  
Symphony Hall,  
Birmingham

In fact, the repertoire for the orchestra's present tour of 15 English concert halls is all-Russian — Tchaikovsky, Glazunov, Shostakovich and Rachmaninov, with the major work, Rachmaninov's Third Symphony, scheduled to be performed no fewer than ten times. The response to its lyrical inspiration is scarcely less than ecstatic, the shaping of the beguiling second subject of the first movement breath-takingly spontaneous and yet perfectly unanimous in its rubato phrasing.

Alexander Dmitriev and the St Petersburg SO are such a genuine ensemble that one could actually wish to meet them in something other than Russian music. To hear that enormous string sound applied with Dmitriev's interpretative integrity to a symphony by Brahms, say, could be a rewarding experience.

Unused to the quality of Symphony Hall — unaware, like most visitors, how quietly they can afford to play there — they presented the work in a forthright perspective, with too much in close-up, reducing the variety of colour in the scherzando sections of the second movement. But they had the measure of the acoustic by the end: in a splendidly passionate account of Tchaikovsky's *Francesca da Rimini*, where the woodwind soloists proved themselves as eloquent as the strings.

The audience's favourite item seemed to be Vladimir Kravtsov's engagingly eccentric interpretation of Rachmaninov's Second Piano Concerto. Apparently reluctant to be playing it to begin with, and getting slightly out of time with the orchestra on its first entry, he became more and more involved with the work, progressing from his initial disdain to pained sensitivity in the slow movement and overwhelming commitment in the finale.

GERALD LARNER

## Blood brothers

Philharmonia  
Festival Hall

In the 50th anniversary year of Rachmaninov's death, there may well be few finer performances of his Second Symphony than that heard on the South Bank on Sunday night. Yevgeny Svetlanov, director of the Russian State Symphony Orchestra and a frequent visitor to London, conducts Rachmaninov as if the music is part of his very bloodstream. And he made the Philharmonia believe it is part of theirs, too.

Svetlanov began by shaping the first movement's evolution with small, defining gestures of batonless hands. Melody grew through the careful gradation of dynamic levels; it developed, layer upon layer, through transparent orchestral textures.

Where Rachmaninov increased velocity by an accumulation of vivid solo details and short driving rhythms, Svetlanov recreated the tension with

lax, tight gestures. Where the composer relaxed into lyricism, Svetlanov realised the importance of not allowing any melody to bloom too soon. In the great slow movement, the solo violin theme and the clarinet tune dissolved into each other with perfect equipoise.

This was the Philharmonia's Rachmaninov 50th anniversary concert; yet the first half featured Beethoven's Triple Concerto. This inceptually arbitrary piece of programming, with Josua Bell, Steven Isserlis and Olli Mustonen as soloists, was given a wayward performance: excitable and challenging chamber music-making between friends, with the orchestra something of an irrelevance. The concert may be heard on Radio 3 tomorrow at 7.30pm.

HILARY FINCH

QUEEN ELIZABETH HALL  
TODAY AT 7.45pm  
LONDON MOZART  
PLAYERS  
FRANK MARTIN  
Pascaglia for Strings  
MOZART  
Piano Concerto No 14 K449  
MOZART  
6 German Dances K509  
TCHAIKOVSKY  
Serenade for Strings  
MATTHIAS BAMERT cond  
HOWARD SHELLEY piano  
£15.55 Box Office £17.75 Charity  
Haydn-Mozart Society (P.O. Box 1)  
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Forget whether it's right or wrong: leasehold reform is here to stay. Who qualifies and what should they pay? Rachel Kelly asks the experts

# A guide through the leasehold jungle

**T**he new law reforming leasehold will receive royal assent in the summer, giving an estimated 750,000 flat leaseholders the opportunity to participate in the purchase of the freehold of their building or extending the existing rights of leaseholders of houses.

Now is the time for a detailed examination of the new situation. Which buildings will qualify? Who qualifies — and what should they do about it? How much will it cost — and is it worth it?

The government is planning to issue guidance, but meanwhile, *The Times* has produced its own question and answer guide with the help of Armstrong, a surveyor with the London firm Francis Russell, Ron for reform for more than a decade, and David Marcus, a solicitor with Franks Charles & Co. All of them stress the complexity of the new laws. The guide is necessarily simplified, so professional advice is essential. Hire a valuation surveyor (the *Estate Gazette* publishes a directory of valuers), or contact the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers, as well as a solicitor (through the Law Society). Remember, there are separate rules for flats and houses.

**Does your flat qualify?**  
An entire building qualifies, not an individual flat. You join with others to buy a share of the freehold of the building, and then you can award yourself a new lease for whatever term you like. The building must be self contained, with its own services.

**How many flats must there be in the building?**  
There must be two or more flats in the building. More than two-thirds of the flats must have qualifying leases.

**What is a qualifying lease?**  
Qualifying leases are those where the original term of the lease is 21 years or more and the original ground rent (not the current ground rent, if there is a difference) must be low.

**How low must the ground rent be?**  
The ground rent depends on when the lease started. Check your lease and find out if your lease started:  
a) Before April 1, 1963. Then the ground rent must not exceed two-thirds of the letting value of the property at the start of the lease.  
b) After April 1, 1963, but before April 1, 1990: then the ground rent must not exceed two-thirds of the rateable value of the property at the start of the lease.  
c) After April 1, 1990: then the ground rent must not exceed £1,000 a year if the property is in Greater London, or £250 anywhere else.

**What type of buildings are excluded?**  
Converted buildings (as opposed to purpose-built blocks) with four or

fewer apartments, with a resident landlord. If a building has a commercial element, such as offices, that element must not exceed 10 per cent of the total floor area of the building. Properties leased by the National Trust on terms that restrict the ability to sell a lease. Properties owned by the Crown, although the Crown has said it may waive these rights in most cases.

**Do you have to live in the flat?**  
No, nor do you have to own it for a minimum time.

**Do all the building's occupants have to want to buy the leasehold?**  
Two-thirds of the qualifying leaseholders have to vote in favour of enfranchising.

**What kind of people are excluded?**  
If you own more than two flats with qualifying leases in the same building, you are excluded.

**Where there is more than one lease in respect of the same flat, how do you know which one qualifies?**  
The lower ranking lease will be the qualifying one.

**What if the leaseholder qualifies but the building does not?**  
If the building does not qualify due to a commercial element exceeding 10 per cent of the total floor area, any qualifying leaseholder will be able to acquire a 90-year extension to the existing lease, and will not have to pay any ground rent.

**If I qualify, and the building qualifies, what then?**  
Get agreement among the tenants. The bill requires that before taking any action, you must consult a surveyor to obtain a professional



A time for change: Nicola Wortelock's flat is situated over shops, which means that she might only be able to extend her lease

**N**icola Wortelock works for a publishing company, is in her mid-thirties and holds the lease of a flat in Marylebone, west London. She says: "The lease was granted 12 years ago for 33 years, which means that it qualifies as a long lease. There are 16 flats in the block, of which a quarter are tenanted. The rest are owned, with leases of approximately 21 years remaining. The block is over shops, which means there could be problem when it comes to enfranchising, as more than 10 per cent of the whole building is given over to commercial premises. So

valuation. Hire a solicitor, too. Decide whether you feel the cost is worth it.

**How much will it cost?**  
The enfranchisement price will be based on the market value of the landlord's freehold interest plus a share of the "marriage value".

**What is the marriage value?**  
The increase in total value which results from amalgamating freehold and leasehold interests. It is best explained via an example.

Take a lease with 20 years unexpired at a fixed ground rent of £100 a year. The lease is currently worth £120,000 on the open market. If it were a 99-year lease with no appreciable ground rent, it would be worth £250,000.

The landlord's stake is made up of the value of the lease until it expires, made up of ground rent

over 20 years, plus the value of the lease thereafter, when the landlord may be entitled to rent. This totals £65,559. The marriage value is therefore the sum of the freeholder's interest (£65,559), plus the leaseholder's interest (£120,000), a total of £185,559.

The total is then deducted from the value of the vacant flat, (£250,000), to produce a marriage value of £64,441. Half of this, £32,221, goes to the landlord. So the total cost to the leaseholder is £32,221 (the marriage value) plus the landlord's interest (£65,559), or a total of £97,780.

**Am I just paying for the cost of my own flat?**  
The enfranchisement price will represent the whole of the freehold interest, including communal parts. These could either be other

we shall only be able to extend our leases, rather than acquiring the freehold.

"Most of the leaseholders are keen to acquire extended leases but this depends upon the cost. Also, we are unsure at the moment about how many years we would be able to buy to add on to our existing 21."

"In practical terms, we would like to be able to approach the landlord as a group via an intermediary, such as a solicitor well versed in this area of law. Then a marriage value would have to be agreed."

flats held on leases outside the statutory criteria (including caretaker's flats, for example). This will mean that each participating leaseholder will have to come up with a greater sum than that purely attributable to his own flat. Where the building contains a commercial tenancy, the value of that income may be very substantial, and leaseholders might be involved in larger costs than they thought.

**If you decide the cost is worth it, then what?**  
Determine the form of the nominee purchaser. This might be a limited company, a trust or some other form of collective ownership. So far, the limited company has been the most commonly used vehicle. There may be important tax and administrative consequences to the various options.

Consult a lawyer or an accountant. Serve a tenant's "discovery notice" on the landlord requesting details of the freeholder and all people with an interest in the building.

Serve a tenant's "purchase notice" on the freeholder. This gives the proposed price, and names a date at least two months ahead by which the freeholder must reply. The final stage is the freeholder's counter notice which might agree with or dispute some or all the terms. He can invalidate a claim if, for example, the lease is within five years of expiring and he can show he intends to redevelop the site.

Negotiation follows, and it would be sensible to consult a surveyor. If the parties continue to disagree, the case goes to court, or if the problem is about price, to the Leasehold Valuation Tribunal.

## HOUSES

THE right to enfranchise has existed for houses since the 1967 Leasehold Reform Act. The new bill does not change the rules for houses that already qualify. Instead, it abolishes the rateable value limits that have hitherto prevented some houses from being eligible.

**What are the criteria for houses to qualify?**  
The building must be a house, defined as a "vertically divisible structure". The original term of the lease must have been 21 years or more.

The ground rent at the time of the claim must not exceed two-thirds of the rateable value on whichever is the latest of a) the first day of the lease, b) the first day the property received a rateable value, c) March 23, 1965.

**What are the criteria for the house's owner?**  
The claimant must have occupied the house for three out of the last ten years as his sole or principal residence.

**How much will it cost?**  
Houses entitled under the original 1967 act provisions pay a price based on the philosophy that the building belongs in equity to the leaseholder and the land, in equity, to the freeholder. There is no requirement to pay "marriage value".

Houses which are entitled under the 1974 amendment, and under the bill, pay a price that is tantamount to open market value, including a proportion of the marriage value. This is the basis that the new band of houses can be expected to follow.

**Can I extend my house's lease instead?**  
Leaseholders who qualify under the original 1967 act provisions and the 1974 act provisions can choose, as an alternative, a 50-year extension to their existing lease. This costs nothing, but there is a provision for a review of the ground rent to the realistic rental value of the land at the expiry of the lease. This means a high rate, with a review in 25 years.

The leaseholder may elect to buy the freehold at a later date, but only while the original lease remains current. The 50-year extension is not an option for houses made eligible by the new bill.

From life in a genuine American log cabin to a Thames lighter: two of the unusual homes that owners are selling

## All the way from the Rockies

**A**n imposing American log house in a New Forest clearing is the ultimate in building by numbers. Hinchieslea House, near Brockenhurst, Hampshire, was built in 1992 with dead standing pines plucked from the Rocky Mountains, sometimes by helicopter, for the American company Alpine Log Homes.

The massive logs were then stripped, measured and their dimensions fed into a computer together with the house's architectural plans.

The computer shuffled the logs' measurements into compatible groupings, and the logs were numbered accordingly.

After a trial run building the house, the logs were dispatched by sea to Lowestoft. From there they travelled to the New Forest site, and in two days had become what is thought to be the first American log house in Europe.

Its owners, Anna and Pierre Rostand, had set their hearts on a log house after buying the cleared three-and-a-half acre site on which the former Hinchieslea House had burnt down. They felt the rural site with its forest views, called for a wooden structure.

They used an English architect to ensure planning regulations were honoured, and he was flown out to see how the Americans work.

The finished result is a pleasing gabled structure housing five bedrooms, three bathrooms, a traditional American basement family room, and open plan living space including a kitchen with a four-oven Aga.

There is also a gallery, library, billiard room, sauna and wine cellar. The exterior is finished off by a veranda and sun deck. In the grounds there is a heated swimming pool and a coach house.

The Rostands' log house is on the market at £995,000, and has already attracted some overseas interest.



Wood for the trees: the house blends with the backdrop

CHRISTINE WEBB

## A tale of the riverbank

**S**omeone who likes a different outlook on life might be interested in the *Mayflower*, an 80ft steel Thames lighter, which is for sale off Chiswick Mall, southwest London.

There are three boats off Chiswick Mall, which is on a pretty stretch of water with views of Chiswick Eyot (a small island) downstream and of open land on the opposite bank. You approach the boat through a private garden, which is shared by all three.

The present American owners, Phil and Ginny Brown, have made it their home for the last 30 years but have decided at last to return to America. The main cabin in the hull is reached down a purple painted wrought iron spiral staircase.

There is an open-plan kitchen with all mod cons including microwave, washing machine, and dishwasher. Bookshelves line one side of the boat, which is toastily warm all year round, heated by underfloor electric heating.

The boat is pretty shabby, but has great potential for someone with vision. The boats are on a renewable lease from the Church of England. The *Mayflower* is being sold through Winkworth's Chiswick office (081-994 7096). The Browns are asking £150,000.



On stream: the Browns in their Chiswick houseboat

MARY WILSON

# Freeloading in Eldorado

Holiday homes in Spain are tempting squatters, says Lorraine Bacchus

**T**here is a very generous Spanish expression, "Mi casa es tu casa" — "my house is your house". But for many British expatriates in Andalusia, this charming sentiment is being reversed to "your house is my house". Squatting has come to southern Spain.

The problem is at its worse in the mountain villages behind the Costa del Sol. On the coast itself, squatters are to some extent kept at bay by guard dogs and armed security men on the self-contained estates. In the small villages such protection would be expensive and incongruous.

Gypsies are mostly blamed for the squatting but the habit is not exclusively theirs. In Castellar de la Frontera it is German "travellers" who are mainly responsible. Young Spanish drug addicts are also taking advantage of the free accommodation.

Cristobal Delgado Perez, a lawyer who has acted for several Britons in squatter cases, says that before foreigners came there was no illegal occupying of houses.

"Before foreigners started buying houses and living in them for only a few weeks of the year, there weren't any empty, habitable houses."



An expensive lesson: Patricia Nicholls says "I would never suggest paying squatters — I think it encourages them"

**PATRICIA NICHOLLS** — assed the judicial system to evict squatters: "We originally bought the small village house to live in while having our retirement home built, then it was rented out. My husband died in September 1990.

"A local woman asked to rent the house. She said she had had a row with her father

and been thrown out and had nowhere to go. She was very tearful. I checked with friends in the village and was told she was reliable. I gave her the keys and she gave me two weeks' rent."

"I went back to collect the key and her boyfriend was there. He had moved in, too. They refused to leave."

"I went to the police, but

they said it was tough luck, since I had given her the keys. I went to a local lawyer and he advised against using any force and certainly never suggested I pay the squatters. I would be against that, as I think it just encourages them. Legal proceedings started in January 1991 and the case was finally heard at the end of May 1992. I won the case and

was awarded costs, which was meaningless, since the squatters had no money, so I had to pay everything — including hiring the court to have the case heard. The total legal expense was £1,500.

"I don't think people should be allowed to take over another person's property. I still rent out the house, but not to Spaniards."

## Bribing a couple out

**DICKIE AND DAPHNE BURTON** — paid the squatters to leave: "We bought the land in 1979 and in 1992 we were in a position to move into the house we had built," Mrs Burton says.

"In September, 1991, the squatters had moved in — a couple and their baby. He is a drug addict and we hear she is also now in a pretty bad way. He's also recently been arrested for armed robbery. We immediately appointed a lawyer. He came to the village and spoke to the mayor about the problem. The mayor had the squatters brought before him, but they knew their rights and refused to leave our house. They made the house like a fortress so that it would have been very difficult to force them out."

"The lawyer warned that the judicial system in Spain is painfully slow and that it could take years of expensive legal work and cost thousands of pounds to evict the squatters. He advised us to pay them. We felt sick at the thought of

## Victory — at a price

**NEIL PRICE** — hassled officials to take action against the squatters:

"We bought the house with a view to moving permanently to the village, but after all that has happened, we've decided to stay in Britain. In October, 1991, a 'gitano' family moved into my house — husband, wife and children."

"I was told I would have to wait for a court hearing. I went to Britain and began a harassment campaign of everyone I could think of. I wrote to the mayor of Jimena, to my MP and MEP, the court in San Roque, the police chief in Seville, the Spanish embassy in London, and so on. I didn't get a response from anyone except my MP and that didn't say much. Eventually the mayor wrote saying he'd passed my letter to the courts."

"The Spanish embassy said the matter was a criminal offence and that the police should simply move in, but the police said they could do nothing without a court order — and the court said they were too busy to hear the case. So I



The long fight: Neil Price eventually won his case

started phoning the court every day. Then suddenly, in June — eight months after the squatters moved in — the case was heard. The squatters were told to leave immediately.

"It had cost me about £400 in phone calls and letters. I've got another claim in for £3,500 to compensate me for my time, hassle, loss of rent, and so on, but I don't hold out much hope of getting it."











# Hall hopes to earn overdue recognition



Eyes on the prize: Hall concentrates during practice at Redbridge Sports Club in preparation for the All-England championships at Wembley. Photograph: Marc Aspland

Five million people play badminton in England yet Darren Hall, six times the national champion, former European champion and regular member of the world top ten, is more likely to be recognised on the streets of Jakarta than in his home town of Chingford.

So much for the land of milk and honey promised to professionals when badminton turned open just over a decade ago. The Europeans, at least, are still digesting the bread and butter. "No danger of being mobbed, that's for sure," Hall said, without bitterness.

Over the next three months, Hall has a chance to change all that, to encourage the odd nudge of recognition, sign the occasional autograph, even make a few bob. Today sees the start of the Yonex All-England championships, the Wimbledon of badminton, at Wembley.

At the end of May, England host the world championships for the first time to mark the centenary of the Badminton Association.

Victory in either — perhaps even an historic double — would at last bring Hall some of the trappings enjoyed by lesser athletes in higher profile sports. A decent hotel room when travelling in Europe or a few more sponsors to add to the Bulgarian Wine Company, his sole backer from outside badminton. Maybe that ultimate sporting accolade, an appearance on *A Question of Sport*.

At 27, Hall is ready to seize the moment for which he has been reaching since he swapped football, and the prospect of emulating his schoolboy team-mate, Teddy Sheringham, now of Tottenham Hotspur, for badminton.

15 years ago, "I've got the experience and I know how to handle myself," he said. "This is my big chance to show everyone how good I am."

Fear of injury — "I was very small and kept getting knocked about at football" — and the influence of his cousin, Ray Stevens, a former British No. 1, persuaded Hall to concentrate on badminton at the age of 12. He has rarely looked back, graduating from a triumphant junior career to become European Open champion in 1988 and, last year, the first British player since the war to win the Danish Open.

"I left school at 16 and all I wanted to do was play badminton," he said. "I used to hang around at the Redbridge Sports Centre, where a lot of internationals were based, wait for them to finish their matches and ask for a game. It was important to gain their respect and I got used to playing at a senior level from an early age."

The bullies would think



**Andrew Longmore talks to Darren Hall, the England badminton champion, who feels confident he is now ready to challenge the world**

twice about tackling him these days, quite apart from the street-cred stud glinting in his left ear. At a whisker under 6ft and 11½st, Hall has a near perfect build for a game of speed, spring, speed and stealth. Tall enough to get a good angle on the smashes, light enough to match the speed of the quicksilver Asians, supple enough to retrieve the irretrievable.

"He is unquestionably the best we have," Paul Whetnall, the former England team manager, said. "Unbelievably quick. When he really gets going and is concentrating, he is a joy to watch."

Except that only a few will get let alone appreciate, the opportunity. Wembley will be packed with devotees over the next five days but the BBC is

not covering the championships live and, when it does broadcast them a week later, only a fraction of the awesome athleticism and speed of the game will filter into the nation's living rooms.

Badminton cannot boast the aesthetic appeal of Wimbledon nor does a shuttlecock, however sweetly timed, convey the same sense of power as a bouncer or an ace. It is too stealthy, too silent, too easy.

In every hour of a badminton match, there is an average of 40 minutes' actual play — as opposed to seven minutes in tennis — so there is little time for the development of character or plot on which television thrives.

Without the support of television, badminton will always remain a backwoods spectator sport and, therefore, financially weak, despite its new status as an Olympic sport.

"Badminton has fallen back in the public relation stakes and, compared to a lot of sports, it is very hard work for little reward," Whetnall said. "The worst thing is seeing all the talented kids who get disillusioned and drop out of the game."

Hall is aware of the disadvantages of his profession but only occasionally allows envy to cloud his vision of a good life. If he becomes the first British man for 54 years to win the All-England title, he will earn £7,000 — just over £3,000 more than a first-round loser at Wimbledon.

But if he loses to a qualifier in the first round today, he will earn precisely nothing. Only the last 16 in the 64-strong draw win money.

"It doesn't really make sense, does it?" he said. "Personally, I think tennis players

earn far too much and, sometimes, I wish I had taken up tennis instead of badminton. But if I can make a living out of something I enjoy and get to see the world, then I'm happy."

The tub-thumping that accompanied the progress of Jeremy Bates, the No. 1 British tennis player, to the last 16 at Wimbledon struck a chord with Hall. Amid universal euphoria, Bates came to within a point of reaching the quarter-finals.

Two years ago, Hall had two points to reach the semi-finals of the All-England championships, another to get to the final of the grand prix for the best 16 players in the world. He missed all three and the failure still hurts.

"I remember the first like it was yesterday," he said. "I served, he rushed me and I was right there to put away the point. But it just clipped the top of the net and fell back."

Like Bates, Hall's main problem is more psychological than physical. "He has the ability to upset the best in the world, no question," Whetnall said. "But he just has to believe in himself and be more consistent." A familiar refrain.

Realistically, Hall is aiming for the last four of the All-England and to win a medal of any colour at the world championships in two months. "That would show our young kids that you can make a good living out of badminton and give the game a real boost. It needs it badly," he said.

Anything more and Hall's life of peace and anonymity would be ended forever. It might even prompt a backward glance or two down Chingford High Street.

## Asian players provide power and passion

By RICHARD EATON

ONLY Gill Clark and Gillian Gowers, in the women's doubles, have any chance of becoming the first home winners in the Yonex All-England badminton championships since 1985. But it does not matter too much. Today, and for three more days, the tournament will enjoy one of its best entries in almost a century.

The All-England is the oldest badminton tournament in the world and shows that a tradition, with adaptability and good administration, can survive the trends. Some say

the event is now dull for being dominated by Asian players but it is they who have brought greater passion, extra athleticism and a whiff of scandal.

Last year, the Chinese were accused of playing as a team to enable an extra player to qualify for the Olympic Games. This year, the Indonesians have brought Susi Susanti and Allan Budi Kusuma, who won their country's first Olympic titles of any kind in Barcelona.

Susanti, the metropolitan baller, may find it difficult to

justify her top seeding. In her half of the draw she has the brilliant Chinese teenager, Ye Zhaoying, who beat her when winning the Japan Open in January. In the other half is the holder and world champion from China, Tang Jinhong, and Bang Soo-Hyun.

Kusuma is even less likely to win. In the past few months, his compatriots — Joko Suprianto, the world No. 1, and Heryanto Arbi, the No. 2 seed — have sprung from the pack like men possessed.

Arbi may earn a last-16

meeting with Darren Hall, the England champion, who can prove a handful for anybody on his home patch.

Much may depend on how these spectacular acrobats of power and touch cope with an alien coolness that can tighten the muscles and a swirling drift that tests both temperament and concentration.

If they fail, then watch for the dangerous Dane, Thomas Stuer-Lauridsen, a tax exile who bases himself in Chingford to practise with Hall and who could strike a blow for Europe.

## Foundation clocks up £100m in donations

THE Foundation for Sport and the Arts yesterday reached £100 million in donations since it was set up in July 1991, by handing over £33,280 for funding a cultural and physical recreational programme at the London Connection, a charity for the young homeless and unemployed in the West End (John Goodbody writes).

About £66 million of the first 18 months of funding has been given to sport by the foundation, which was established by Littlewoods, Vernons and Zetters, the football pools companies. This includes £2 million to the Scottish Rugby Union and £1 million to the Manchester Olympic bid. The foundation has also donated money to grass-roots sport. Its new grants include £150,000 for the University of Newcastle upon Tyne's Redhill Drive sports ground and £25,025 for the LTA's Tennis for the Disabled.

## Soper setting pace

MOTOR SPORT: The 1993 British touring car championship is to be sponsored by the motoring publication, *Autosport*. Eight factory-backed teams will be taking part in a 14-round televised series. New cars scheduled to appear in the opening round at Silverstone on March 28 include a Ford Mondeo, a Renault 19 for the champion, Jim Harvey, and a Mazda Xedos.

BMW, Vauxhall, Toyota and Nissan have been the pace-setters in pre-race testing with Steve Soper, in a BMW, setting the fastest times in practice at Silverstone, closely followed by team colleague Joachim Winkelhock.

## Whitaker's choice

HOCKEY: The new England coach, David Whitaker, has launched his campaign for the World Cup in Sydney next year by announcing a squad of 20 players from which 16 will be chosen for two matches against Germany in Hannover on April 3 and 4.

ENGLAND SQUAD: J. Barrett (Hemel Hempstead), M. Bostock (East Grinstead), R. Cribb (Hemel Hempstead), J. Duggan (Hemel Hempstead), J. East (Leamington), S. Hallett (Hemel Hempstead), R. Hallett (Hemel Hempstead), J. Lee (East Grinstead), O. Lucas (East Grinstead), C. Meyer (Canterbury), P. Morgan (Hemel Hempstead), S. Pinner (Canterbury), J. Taylor (Canterbury), K. Taylor (Canterbury), D. Thompson (Og. Leamington), S. Tiggs (Canterbury), R. Welch (Southgate), D. Williams (Hemel Hempstead).

## Wright calls it a day

CRICKET: John Wright, 38, the New Zealand opening batsman, announced his retirement after New Zealand had beaten Australia by five wickets at Auckland. Wright appeared in 82 Tests and scored 5,334 runs at an average of 37.82. Graham Lloyd scored his second century of the tour yesterday to help England A into a strong position against a Western Australia XI in Perth. Lloyd reached 100 off 128 balls, and Jack Russell made an undefeated 50 off 23 balls, as England A raced to 300 for five declared. Western Australia, left to score 402, ended the day at 19 for one.

## Capriati knocked out

TENNIS: Jennifer Capriati, right, of the United States, surprisingly lost 3-6, 7-5, 6-4 to Judith Wiesner, of Austria, in the third round of the Lipton championships at Fort Lauderdale, Florida, on Monday. Michael Stich, the ninth seed, recovered to beat Rodolphe Gilbert, of France, 4-6, 6-3, 6-4. Michael Chang, the holder, was knocked out by Marcos Ondruska, of South Africa, 7-5, 6-1 in the second round.



## Banana's new bunch

CYCLING: The Banana Group confirmed yesterday that it will sponsor a racing team this season for the sixth successive year. The 1993 squad will be led by Shane Sutton, winner of the Milk Race in 1990. He is supported by Chris Lillywhite, the city centre circuit champion recently returned from the Tour of Mexico, Brian Smith, the British professional champion in 1991, and Keith Reynolds, the 1989 Milk Race runner-up. Malcolm Elliott, who is based in the United States with the Chevrolet-LA team, has won the five-stage Redlands Classic race in California.

## Ashley's big chance

BOXING: Crawford Ashley, the former British light-heavyweight champion, has been given the chance to challenge Michael Nunn for his World Boxing Association super-middleweight title. Ashley, 28, from Leeds, is Nunn's proposed opponent in Las Vegas on April 23 and has to decide whether he wants to take the bout. "It's not finalised yet but the offer is there and it is up to Ashley to make a decision," Barney Eastwood, his manager, said yesterday. "Weight will not be a problem."

## Matthews for sevens

RUGBY UNION: David Matthews, the referee who sent Fran Clough off in Wasps' match at Bath last weekend, will be the England representative on a 12-man panel for the Rugby World Cup sevens at Murrayfield next month. Niall Malone, the stand-off half, has signed for Leicester from London Irish. Two scrum halves, Alain Rolland and Rupert Moon, will captain Ireland and a Welsh president's team respectively at the Hong Kong sevens on March 27 and 28.

### SNOOKER

## O'Brien puts Davis out of Asian Open

FROM PHIL YATES IN BANGKOK

FERGAL O'Brien, an unheralded second-season professional from Dublin, caused a big upset when he beat Steve Davis, the defending champion, 5-4 in the fourth round of the Asian Open here yesterday.

O'Brien, the world No. 192, looked to be heading for the same fate as Davis' last 11 opponents in ranking events when the six-times world champion, who has won both the British and European Open titles during the past three weeks, led 2-0.

However, O'Brien, 21, showed an appetite for a fight in September by recovering from a 4-0 deficit to beat Cliff Thorburn 5-4 in a qualifying round of the UK championship. It was a similar level of tenacity which enabled him to win the next four frames from Davis.

O'Brien, though, began to exhibit the nerves he had successfully disguised earlier, particularly when snatching the fourth frame on a re-spotted black after a 35 clearance had levelled the scores.

Even though Davis was patently struggling with his

form and the humid conditions, he managed to level at 4-4. A break of 41 put Davis ahead in the deciding frame but, afforded the opportunity to complete the recovery, he first missed the green and then the brown.

Refusing to be hurried, O'Brien, 63-45 in areas, potted a long brown, attained inch-perfect position on the blue, and cleared to black to reach the last 16.

O'Brien, who left school with seven O levels and four A levels, said: "The teachers laughed at me when I told them I was going to be a snooker player, so I completed my education to have something to fall back on. I hope they see this result."

Stephen Hendry, attempting to win a ranking event for the first time since the world championship ten months ago, included breaks of 82, 83 and 101 during a 5-1 victory over Jamie Woodman, of Bristol, while Dennis Taylor became the eighth top-16 casualty when he lost 5-4 to Jason Ferguson.

Results, page 48

## Top league role goes to woman

EMMA Rosewarne has become the first woman to hold a senior position with the Rugby Football League after being made administration executive in charge of fixture arrangements, players' contracts, important events and the appointment of referees (Christopher Irvine writes).

The new post extends the responsibility of Rosewarne, 32, who for the past four years has been head of player personnel, overseeing transfers, contract disputes, disciplinary procedures and drug-testing.

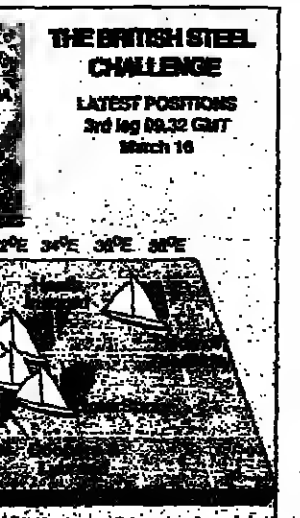
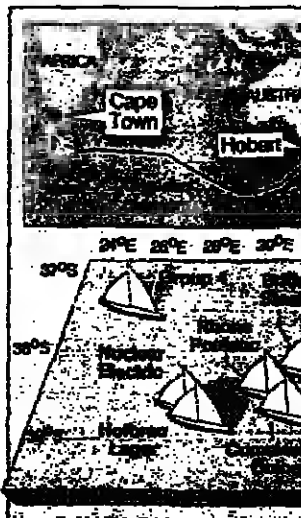
Leeds yesterday denied there was pressure on Doug Loughton, who is in the second year of a three-year coaching contract, to resign after their exit in the first semi-final of the Challenge Cup. Nigel Heslop, the former Orrell and England rugby union winger, is likely to miss the remainder of the season after suffering a broken jaw in his third game with Oldham.

### YACHTING

## Close race for second place

FROM BARRY PICKTHALL IN CAPE TOWN

THE final days of the third stage of the British Steel Challenge from Hobart to Cape Town promise to be nail-biting for the ten crews taking part. As Mike Golding's Group 4 Securitas continued to make great strides towards the finish, little more than two miles separated Nuclear Electric, skippered by John Chittenden, and Hofbrau Lager, fighting for second place 150 miles astern.



Even fiercer was the battle for fourth place, with Rhone-Poulenc, Commercial Union, Coopers & Lybrand and British Steel II all within four miles of each other. So close is the tussle that the slightest change in wind can transform the order: as it did yesterday, making losers out of Richard Tudor's British Steel and Commercial Union.

British Steel dropped from fifth to seventh and Commercial Union, skippered by Richard Tudor, slipped another place back to fifth.

Only Group 4, at the front of the fleet, and the tallenders aboard *Pride of Teesside*, 500 miles astern, could report a good breeze. For the rest, crews were hard pressed to better one knot of boat speed.

LEADING CREWS: Group 4 Securitas (Mike Golding), 372; Nuclear Electric (John Chittenden), 618; S. Hofbrau Lager (P. Chittenden), 620; S. Coopers & Lybrand (P. Chittenden), 620; S. Commercial Union (P. Chittenden), 620; S. British Steel II (P. Chittenden), 620; S. British Steel I (P. Chittenden), 620; S. British Steel III (P. Chittenden), 620; S. British Steel IV (P. Chittenden), 620; S. British Steel V (P. Chittenden), 620; S. British Steel VI (P. Chittenden), 620; S. British Steel VII (P. Chittenden), 620; S. British Steel VIII (P. Chittenden), 620; S. British Steel IX (P. Chittenden), 620; S. British Steel X (P. Chittenden), 620; S. British Steel XI (P. Chittenden), 620; S. British Steel XII (P. Chittenden), 620; S. British Steel XIII (P. Chittenden), 620; S. British Steel XIV (P. Chittenden), 620; S. British Steel XV (P. Chittenden), 620; S. British Steel XVI (P. Chittenden), 620; S. British Steel XVII (P. Chittenden), 620; S. British Steel XVIII (P. Chittenden), 620; S. 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**BBC1**

6.00 Business Breakfast (23982) 7.00 BBC Breakfast News (752387)

9.05 Kibitz (s) (519931) 9.45 Rose King. Game show (s) (445630)

10.00 News, regional news and weather (452423) 10.05 Playdays. For the very young (s) (711633)

10.30 Good Morning... with Anne and Nick. Weekday magazine series (817503)

12.20 Eldorado (f). (Cee-fax) (s) (399458) 12.55 Regional News and weather (2973254)

1.00 One O'Clock News with Philip Hayton. (Cee-fax) Weather (74543) 1.30 Neighbours. (Cee-fax) (5064721)

1.50 Cheltenham Festival. Live coverage from the second day of the festival of the 2.15, 2.50 and 3.30 races. The 4.05 is on BBC2 (s) (3158916)

3.50 The Adventures of Buzzy Bee and Friends. County tales for the very young (2658949) 3.55 Blues. Ideas for turning household junk into something useful (s) (882382) 4.10 Quick Draw McGraw. Cartoon (f) (186514) 4.20 The Animals of Farming World. Episode 11 of the 13-part animated drama. (Cee-fax) (s) (921872) 4.45 Two Westcoast with the Queen. Part three (s) (3831949)

5.00 Newsround. (2333382) 5.10 Century Falls. Episode five of the six-part drama. (Cee-fax) (s) (4326123)

5.35 Neighbours (f). (Cee-fax) (s) (344659). Northern Ireland: Inside Usher

6.00 Six O'Clock News with Anna Ford and Andrew Harvey. (Cee-fax) Weather (74543)

6.30 Regional News Magazines (611). Northern Ireland: Neighbours

7.00 Eldorado. (Cee-fax) (s) (8123)

7.30 Tomorrow's World. Includes reports on preadolescence and how drought-stricken Thailand is hoping to make rain. (Cee-fax) (s) (23)

**BBC2**

6.45 Open University. The Aggregate Demand and Supply Model (423680) 7.10 Architecture in 15th-century Florence (373182) 7.35 Poetry: Language and History (7847123)

8.00 Breakfast News (332456)

8.15 Westminster (455559)

9.00 Daytime. On Two Educational programmes including for children, 9.45 You and Me (453272) 1.20 Animal Fair (879782) 1.30 Crystal Tips and Allstars (865461) 1.35 Bumpy (865392)

2.00 News and weather followed by You and Me (f) (2324225) 2.15 The Sky at Night. Patrick Moore discusses the latest findings about the origins of the universe (f) (2326138) 2.35 Countryfile. John Cavanagh investigates rural series (f) (851727)

3.00 News. (Cee-fax) regional news and weather (3780340) 3.05 Westminster Live introduced by Ian McWhirter (3288017) 3.45 News (Cee-fax) regional bulletins and weather (2226838)

3.55 Cheltenham Festival continued from BBC1. Live coverage of the 4.05 race (f) (158765)

4.30 See Hear! Magazine series for the hearing-impaired (f) (s) (556) 5.00 The Dance. An autumn woodland drama. (Cee-fax) (s) (821611)

5.10 Horizon: Whatever Happened to Star Wars? A repeat of Monday's documentary about President Reagan's Strategic Defence Initiative. (Cee-fax) (s) (8927272)

6.00 Star Trek: Classic science fiction adventures (f) (Cee-fax) (305098)

6.50 DEF 18: Reportage. An investigation into why the education system seems to be failing (f) (171122)

7.30 Nature: Mother of the Megacities. (Cee-fax) See Choice (727582)

8.10 Bookmarks: Bohumil Hrabal. (Cee-fax) See Choice (24185)

9.00 M\*A\*S\*H. Hawkeye decides to send a toilet to North Korea when he learns from Frank of their desperate need (f) (413407)



In a jam? Cairo belies its image (BBC2, 7.30pm)

**Nature: Mother of the Megacities**  
**BBC2, 7.30pm**

With a population of 15 million, due to reach 20 million by the end of the century, Cairo seems the epitome of the sprawling city running out of control. It is more crowded, dirtier and chaotic than London and more polluted than Los Angeles. Cairo refuses to fit the apocalyptic model. For one thing, there is no homelessness. People may live on rooftops or squat in graveyards but they do not sleep on the streets. Moreover, there is an efficient system of recycling rubbish which owes nothing to 20th-century technology but has won an environmental award from the United Nations. An attempt to relieve pressure on Cairo by building a new town in the desert failed. Despite all the drawbacks, people preferred the city.

**Dispatches**  
**Channel 4, 9.00pm**

A report from the Moss Side area of Manchester painting a bleak picture of rising crime, drug and youth and a police force whose presence tends to be resented more than welcomed. In three years the district has seen 21 murders. Gun battles are commonplace and law-abiding citizens fear for their lives. With no prospect of legitimate employment, young blacks peddle drugs and addictions to pay for their drugs. A young couple estimate that their addiction to heroin has cost them £150,000 in eight years. The police are accused of heavy-handedness, but senior officers chose not to appear on the programme to give their side. While strong on diagnosis, the film is vague on causes and silent about remedies.

**Bookmarks: Bohumil Hrabal**  
**BBC2, 8.10pm**

Hrabal is the Czechoslovak writer best-known here for *Closely Observed Trains*, which was adapted for the cinema and won an Oscar. This profile was made for French television and assumes a fair degree of prior knowledge. It is not explained, for instance, why a trained lawyer should have gone to work on the railway and in a steel works for seven years. Hrabal's writing was 'effectively banned'. We are not told which years. Now 78, Hrabal is interviewed to revealing effect about his life and work but the best summary comes from the director of *Closely Observed Trains*, Jiri Menzel. Hrabal, he says, looks at things kind-heartedly and with humour and his writing is humane, not intellectual.

**QED: Misha**  
**BBC1, 9.40pm**

Misha was a vivacious 15-year-old until a hit-and-run accident left her with serious brain damage. She was unable to walk, talk or feed herself. Malcolm Binkworth's film follows her progress over the 15 months since the accident, as doctors, speech therapists and physios try to restore her speech and coordination. Misha is a willing and determined patient. With a very supportive mother, but improvement is sometimes frustratingly slow. The only reservation about this admirable programme is that the genre is becoming familiar. Only last week a similar story was related on Channel 4's *Citizen 2000*. Perhaps the companies should get together to ensure more sensible scheduling.

**ITV LONDON**

8.00 GMTV with Michael Wilson, Eamonn Holmes and Fiona Armstrong. The guests include Glenda McKay and Claire King from the cast of *Emmerdale*, Kerry Staff and Roy Hudd (8718562)

9.25 Jeopardy! Game show (3632727) 9.55 London Today (Teletext) and weather (7184253)

10.00 The Time... The Place... (172678)

10.35 Morning. Weekday family magazine (52523458)

12.10 Allsorts. For the very young (s) (6902185)

12.30 Lunchtime News with Nicholas Owen and Sonia Rusler. (Teletext) Weather (4034017) 1.05 London Today (Teletext) and weather (5723949)

1.15 Home and Away. Australian family drama serial (Teletext) (31814) 1.45 A Country Practice. Medical drama (317185)

2.15 The Crystal Ball Show. Discussion series (223494) 2.45 Take the High Road (957765)

3.10 ITN News. Headlines (3708746) 3.15 London Today (Teletext) and weather (3707017) 3.20 Bookbusters (s) (594238)

3.50 Cartoon. Featuring Pogo. Pp (263017) 3.55 Scooby Doo (f) (8858678) 4.10 Three Seven Eleven. Episode five of the ten-part drama serial set in a primary school (2631272) 4.40 Fun House. Slapstick game show (5606678)

5.10 Home and Away (f). (Teletext) (6340420)

5.40 Early Evening News with John Suckett (Teletext) Weather (541185)

6.00 London Tonight presented by Alastair Stewart and Fiona Foster. The guests include Tommy Steele and Canadian DJ and singer Show (91659)

**CHANNEL 4**

5.50 Sesame Street (f) (6145123)

6.45 Dennis. Animated adventures of a small boy (5236369)

7.00 The Big Breakfast presented by Chris Evans and Gaby Roslin (74794)

9.00 You Bet Your Life. American game show hosted by Bill Cosby (s) (45982)

9.30 Schools (675848)

12.00 The Parliament Programme. Anne Perkins with a round-up of news from both Houses (65746)

12.30 Sesame Street. Early learning series. The guest is Danny DeVito (34765)

1.30 Chicken Minuta. Puppet series (f). (Teletext) (72253)

2.00 Film: Daughters Courageous (1938, b/w) starring Claude Rains. Comedy drama about an errand boy who returns home to find his former wife about to remarry and his four daughters with disastrous love lives. Directed by Michael Curtiz (8096)

4.00 The Pulse. Health magazine presented by Emma Freud (f) (Teletext) (523)

4.30 Countdown. Richard Whitley with another round of the words and numbers game. (Teletext) (s) (104)

5.00 Wednesday Weepee. Paula Yates introduces a real-life romantic story (2556307)

5.10 Film: The Marva Collins Story (1981) starring Cicely Tyson and Morgan Freeman. A made-for-television drama, based on fact, about a Chicago teacher who starts her own school in a depressed part of the city teaching children previously thought ineducable. Directed by Peter Levin (1526936)

7.00 Channel 4 News with John Snow and Zainab Salazar. (Teletext) Weather (569494)

7.50 Party Political Comment from a Conservative party politician (49825)

8.00 Brookside. Suburban Merseyside soap. (Teletext) (s) (7253)

8.30 Food File. Includes advice on preventing stomach rumblings, the recipe for a cheap and tasty Polish stew and restaurant Alastair Little on why the British seldom complain about the food when eating out. (Teletext) (s) (6388)

9.00 Dispatches. See Choice (589630)

9.45 Short and Curious: Geh Kinde Geh. The story of a funeral that goes wrong (f). (Teletext) (306017)

10.00 The Golden Girls. The first of a two-part story in which, after Rose suffers a heart attack, Blanche makes a bargain with God to save her life. (Teletext) (s) (6475)



Political satire: MEP Rik Mayall (10.30pm)

**10.30 The New Statesman.** The amoral Alan B'Stard smugly money in conflict and sets his sights on Yugoslavia. But he has to overcome the grasping Sarah and the selfish Piers. Starring Rik Mayall, Michael Troughton and Marsha Fitzalan (f). (Teletext) (s) (901524)

**11.05 ENG.** Fast-moving Canadian drama series about a television news team (534301)

**12.05am Moviepatch.** Belfast filmgoers review the latest releases (f) (2224741)

**12.35 Film: Patti Patni Aur Tawar** (1978) starring Saima Agha and Mihun Chakraborty. Hindi drama about a devoted wife who is devastated when she discovers her husband is being unfaithful. Directed by Raj Kumar Kohli. (44288031). Ends at 3.35



Rodgers and Dunlop as new parents (8.00pm)

**8.00 May to December.** Age-gap romantic comedy starring Antton Rodgers and Lesley Dunlop. (Cee-fax) (s) (4543)

**8.30 Us Girls.** Comedy series about a three-generation family. (Cee-fax) (s) (3678)

**9.00 Nine O'Clock News.** With Martin Lewis. (Cee-fax) Regional news and weather (6104)

**9.30 A Budget Response** by the shadow chancellor, Gordon Brown (394272)

**9.40 QED: Misha.** (Cee-fax) See Choice (530765)

**10.20 Match of the Day - the Road to Wembley.** Highlights of the FA Cup third round replay between Sheffield Wednesday and Derby County (125852), Northern Ireland: Sportsweek Special 11.30-1.00am Film: The Breakfast Club (61340)

**11.00 Film: Settle the Score** (1989) starring Jacky Smith, Jeffrey DeMunn and Louise Latham. Drama about a city policeman who returns to her home town 20 years after she was brutally assaulted by an unknown assailant and discovers that a series of similar attacks have recently been committed. She determines to uncover the perpetrator. Directed by Edwin Sheraton (61340)

**12.20am Weather** (142305). Ends at 12.35

**12.35-1.45 BBC Select: Accountancy. Television.** Scrambled (52498) 3.15 Legal Network. Television. Scrambled (13741). 4.00-4.50 TV. Edit: Espiritu y Lasi. Americas 2: Scrambled (692147)



Joining the fold: Kathy Burke (9.25pm)

**9.25 Mr Wroe's Virgins: Martha's Story.** The final episode of the drama starring Jonathan Pryce as the north country prophet, this week seen through the eyes of Martha, a young woman who was treated like an animal by her farmer father before she joined Mr Wroe's household of virgins. With Kathy Burke. (Cee-fax) (s) (730129)

**10.30 A Budget Response** by the shadow chancellor, Gordon Brown (491727)

**10.40 Newsnight** with Francine Stock (699659)

**11.25 The Late Show.** Arts and media magazine (s) (704933) 12.05am Weather (1331503)

**12.10 Lifestyle.** Work and the Family. How lifestyles in the UK have changed since 1945 (303301) 1.00 The Message of Starlight (845789). Ends at 1.25

**2.00 Night School: Teaching Today.** Health Education (53019). Ends at 4.00

**VARIATIONS**

**ANGLIA**

As London except: 2.15-2.45 Gardening Time (332494) 2.45-3.15 Sports (37765) 3.20-3.45 The Young Doctors (394238) 3.50-4.00 Lookaround (151518) 4.00-4.15 Coronation Street (33052) 7.30 The European Match: Rangers v FC Brugge (23982) 8.30 This is Your Life (35104) 10.52 Gardening Time (332494) 11.30 The European Match: Rangers v FC Brugge (23982) 12.30 This is Your Life (35104) 12.30-1.00am The Young Doctors (394238) 1.10-1.45 Gardening Time (332494) 1.45-2.15 Sports (37765) 2.15-2.45 The Young Doctors (394238) 2.45-3.15 Sports (37765) 3.20-3.45 The Young Doctors (394238) 3.50-4.00 Lookaround (151518) 4.00-4.15 Coronation Street (33052) 7.30 The European Match: Rangers v FC Brugge (23982) 8.30 This is Your Life (35104) 10.52 Gardening Time (332494) 11.30 The European Match: Rangers v FC Brugge (23982) 12.30 This is Your Life (35104) 12.30-1.00am The Young Doctors (394238) 1.10-1.45 Gardening Time (332494) 1.45-2.15 Sports (37765) 2.15-2.45 The Young Doctors (394238) 2.45-3.15 Sports 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## FOOTBALL 48

YOUNG ENGLAND ON  
BRINK OF  
WORLD FINAL

## SPORT

WEDNESDAY MARCH 17 1993

**RACING 49**  
SURPRISE DEFEAT  
FOR SYBILLIN  
AT CHELTENHAM

## Granville Again ends Pipe's long wait for major prize

By RICHARD EVANS, RACING CORRESPONDENT

FOR the Irish and a sea of tribally-battered National Hunt stalwarts who descended on Cheltenham yesterday, the result that mattered was Granville Again landing the Smirfit Champion Hurdle for Peter Scudamore and Martin Pipe.

But for those with the long-term future of racing and the bloodstock industry at heart, the day's real winner was provided by Norman Lamont, the Chancellor of the Exchequer, at Westminster when he announced in the Budget a value-added tax package estimated to be worth £30 million to the sport.

With Britain's position in the European bloodstock industry under threat because of the disadvantages of a 17.5 per cent VAT rate (compared to 2.7 per cent in Ireland), Lamont announced that owners could register for VAT and reclaim the tax on all racing-related expenditure including the purchase of horses and training fees.

Nevertheless, yesterday belonged to Pipe. The talents of the self-taught trainer, who has risen from beginner to champion, used to be acknowledged with only grudging reluctance by some supposedly superior contemporaries as the winners flowed from his Summerhill yard. Sellers and claimers were one thing, they sneered, but he had not trained a real champion.

He has now. Pipe himself immediately passed on much of the credit to Michael Dickinson, who held centre stage in the National Hunt training ranks before Pipe arrived on the scene.

A series of problems over the winter prevented Granville Again from converting his talent and ability into performance on the course. "We were always hopeful we could get him right on the day. This has been his target all season. I learnt a lot from Michael Dickinson when I went to see him in the United States," Pipe said.

"We gave the horse a rest. Talking to Michael Dickinson, he said the right thing to do was to let him down which is something I have never done with him before and we brought him back up for the Champion."

The risky preparation only showed signs of paying a dividend ten days ago. Until then, Scudamore was committed to riding Granville Again's stable companion, Valfinet. Without directing the champion jockey towards which horse to ride in yesterday's feature race, Pipe gently steered his friend towards Granville Again. Finally, on Monday, Scudamore sat on the seven-year-old for a final test run and decided on the switch.

As Granville Again forged up the Cheltenham hill, to deny Royal Derby and Halkopous, Scudamore's whip-carrying arm revolved like a windmill, more in celebration than anger.

Scudamore said: "I was always going well and had a lovely ride. Everything opened up for me as it does when you're travelling so comfortably."

The winning jockey was quick to put the victory into

### Champion Hurdle

1, Granville Again (P. Scudamore, 13-2)  
2, Royal Derby (M. Parnell, 50-1)  
3, Halkopous (A. Maguire, 9-1)  
Flown 7-2 low, Trainer: M. Pipe, 18 min.

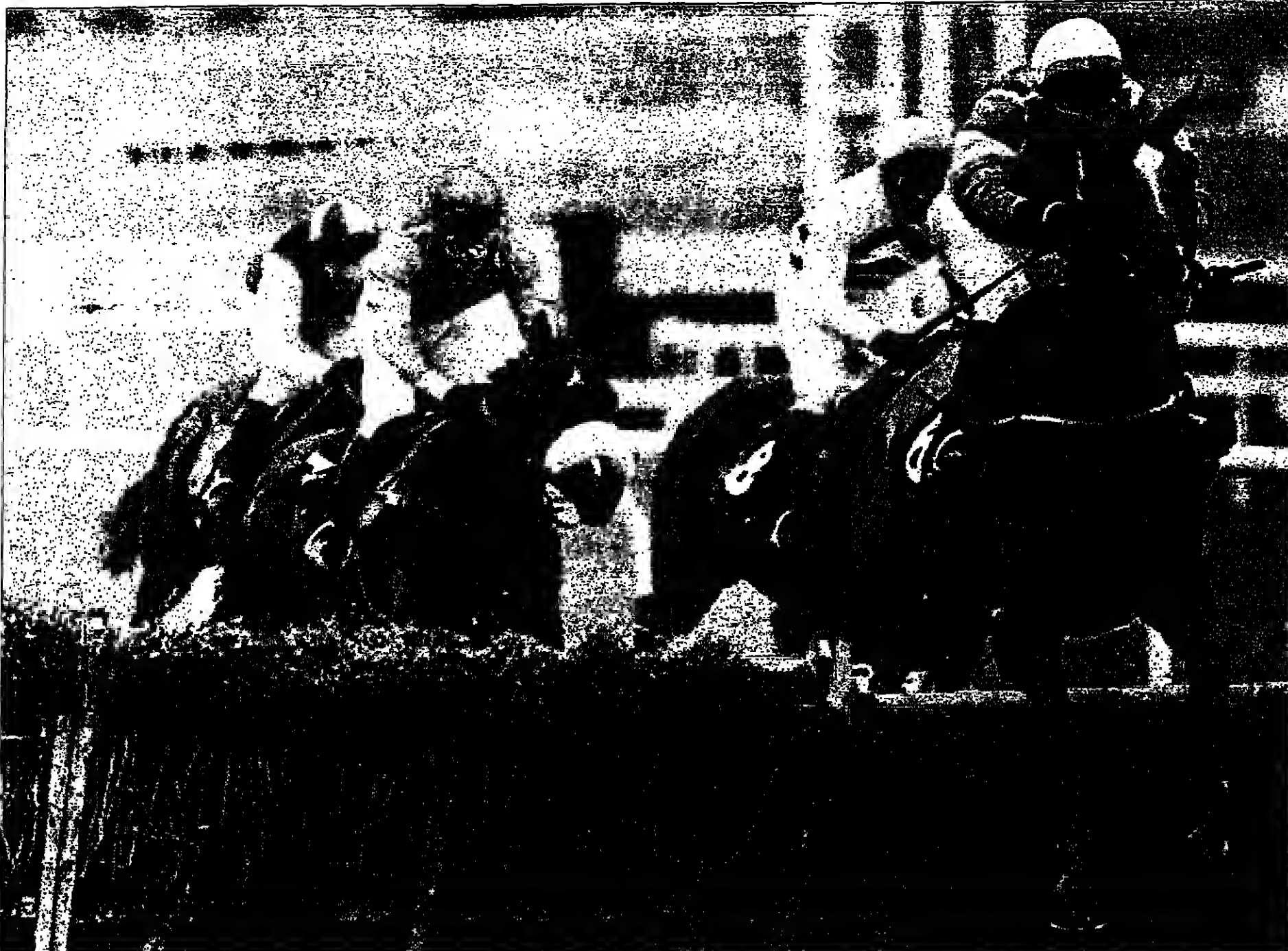
perspective, though. Earlier that morning Scudamore and his weighing-room colleagues had learned that fellow jockey Dai Tegg was seriously ill in hospital, after suffering a brain haemorrhage while asleep.

"A lot of people were thinking of Dai Tegg before the race. It puts all of this into its rightful place," Scudamore said.

Two of the other races on the opening day went to the Irish, their famous roar echoing round the Cotswolds as Montelado shot clear two flights out in the Trafalgar House Supreme Novices Hurdle to win by 12 lengths from Lemon's Mill.

Ireland's champion Charlie Swan, rider of Montelado, completed a marvelous first-day double when Fissure Seal took the American Express Gold Card Handicap Hurdle Final.

Cheltenham card, page 49



Champion display: Scudamore powers clear on Granville Again at the final flight to capture the Champion Hurdle yesterday. Photograph: Ian Stewart

## Spanish referees in strike threat

FROM EDWARD OWEN IN MADRID

SPANISH first and second division referees have threatened to go on strike this weekend amid allegations that they are guilty of incompetence or being bribed.

They said the action will go ahead unless the Spanish football federation clears their reputation by taking to task the presidents of the three clubs at the top of the league who criticised them. The referees will announce their decision today as the Spanish press publishes league tables of the alleged errors.

"The clubs have to accept that referees' mistakes will not disappear, because they are human," Antonio López Nieto, one of the referees, said. "It is wrong to say that when they do occur it is because of bad intentions. This weekend a lot is at stake for Spanish football."

But a spokesman for the football federation said the league programme would go ahead even if referees had to be brought up from the third division or from abroad. The strike is also in protest at reforms proposed by the football federation on conditions, qualifications and criteria for referees.

The dispute arose after last weekend's matches between Barcelona and Deportivo La Coruña and Real Madrid and Logroñés. The presidents of Deportivo and Real accused referees of bad decisions which they said had affected the out-

come of the games.

Deportivo, the league leaders until recently, had a man sent off and conceded a penalty in a 3-0 defeat while Real also gave away a penalty in their 2-2 home draw against Logroñés. Real or Barcelona have won the Spanish league 25 and 12 times respectively since 1929.

Augusto César Lendoiro, president of Deportivo, said: "Until now I did not think that the referees had had intentions. Until now I thought it was a question of luck. Now I don't think that's it. It has been an inadmissible disgrace. They are making sure that the referees make us go."

Ramon Mendoza, of Real Madrid, who dropped a vital point against Lively Logroñés at the weekend, said: "The referees can decide the league."

Michael Lundrup, 28, the Danish international striker who plays for Barcelona, said: "There are no referees that make mistakes in favour of one team or another. The problem is the general level of the referees is low."

José Luis Núñez, the Barcelona president and coach, and players of other clubs have also been sharply critical of referees, who are resentful at the allegations. "They have insulted us and humiliated us, and we have kept quiet. But there's a limit and the time has come to say 'enough,'" one embittered official said.

## Rangers' hopes hit by spate of injuries

By RODDY FORSYTH

RANGERS will attempt to extend their unbeaten sequence to a remarkable 44 games against Bruges in the European Champions League at Ibrox tonight, with resources that have been depleted to an alarming degree.

No fewer than seven first-choice players are injured and, of these, it appeared yesterday that only Trevor Steven, who last played on February 23, has a chance of being included in the squad tonight.

It was confirmed that Gary Stevens, who is to undergo an ankle operation tomorrow, is out for the rest of the season while Ferguson, Gough and Robertson look certain to be absent.

Huistra, the scorer of the goal that earned Rangers their 1-1 draw in Belgium two weeks ago, is also doubtful while Goram, who has missed three matches because of flu and a knee injury, has resumed training but not attempted a thorough workout.

Rangers' notable attribute this season has been to play in the same style, home or away, regardless of the composition of the team. Smith has used 23 players since August but he admitted yesterday that, for the first time, he might have to devise a strategy specifically to suit his starting eleven.

"Usually, we can switch players or bring others in as replacements," he said. "But if Gough and Robertson fail to make it, then we are getting a

Group A	P	W	D	L	F	A	Pts
Marseille	3	1	2	0	4	3	4
Rangers	3	1	1	1	2	4	3
Bruges	3	1	1	1	2	4	3
CSKA	3	0	1	2	1	5	1

PREVIOUS RESULTS: Bruges 1, CSKA Moscow 0; Rangers 2, Marseille 2; CSKA Moscow 0, Rangers 1; Marseille 3, Bruges 0; Bruges 1, Rangers 1; CSKA Moscow 1, Marseille 1.

FIXTURES: Today, Marseille v CSKA Moscow; Rangers v Bruges; April 7: CSKA Moscow v Bruges; Marseille v Rangers; April 21: Bruges v Marseille; Rangers v CSKA Moscow.

hit short of cover there and we might have to change one or two things at the back."

Robertson hurt a hamstring stretching for the ball in Rangers' 3-0 victory over Hibernian on Saturday and it is likely to deprive him of his record as the only player to have taken part in every first-team fixture this season.

His pace is an extremely



Steven: fit to return

Group B	P	W	D	L	F	A	Pts
AC Milan	3	2	0	1	7	1	6
Gothenburg	3	2	0	1	4	5	4
Porto	3	0	1	2	2	4	1
Eintracht Frankfurt	3	0	1	2	2	4	1

PREVIOUS RESULTS: AC Milan 4, FK Gothenburg 0; Porto 2, PSV Eindhoven 2; BFC Gothenburg 1, Porto 0; PSV Eindhoven 1, AC Milan 2; Porto 0, AC Milan 1; PSV Eindhoven 1, FK Gothenburg 0.

FIXTURES: Today, AC Milan v Porto; FK Gothenburg v PSV Eindhoven; April 7: FK Gothenburg v AC Milan; PSV Eindhoven v Porto; April 21: AC Milan v PSV Eindhoven; Porto v FK Gothenburg.

important component of Rangers' defensive arrangements and, in Bruges two weeks ago, he used it to telling effect to contain the menace of Amokachi, Bruges' electrifying Nigerian forward.

When Bruges attempted to knock the ball over the Rangers back four to free Amokachi, Robertson was able to peel off into the vulnerable space in front of goal to seal the opening. But there is no other player with the same speed who can be drafted in.

Bruges, too, have problems, but not on the same scale as the Scottish champions. Querner, who operated effectively as a sweeper a fortnight ago, is suspended while another experienced defender, Verspille, was left behind in Belgium because of injury.

Diezel and Plowie, who did not play against Rangers, look likely to resume their central defensive partnership. This would permit Staelens to re-

turn to his place in midfield alongside the dynamic van der Elst.

It may be in this department that Rangers will face most problems if Smith has to reshuffle the team dramatically and he must devise some way of preventing van der Elst from having the freedom he enjoyed in Belgium.

Nevertheless, both managers predict that the contest will closely resemble the first meeting of the sides. "I certainly hope it does," Hugo Broos, the Bruges manager, said yesterday. "I do not believe a draw would be a catastrophe for either side because we both still have to play Marseille and CSKA Moscow. But if one side loses, I think it will be impossible for them to reach the final."

Smith concurred but added: "Bruges will play Marseille in Belgium but we have to go to France, so obviously a win could have great significance for us. I think, though, that there is a great deal of football still to be played in this section."

"Tonight could be more difficult for us than many people have supposed, simply because the format of the Champions League encourages teams to be adventurous away from home."

RANGERS (from): A. Gordon, G. A. Morrison, S. McCall, D. Robertson, G. O. Versteegh, J. McGovern, J. Brown, S. Fawcett, J. Stewart, J. Durrant, A. McCall, M. Hendry, D. Hagan, G. Gordon, A. Morrison. BRUGES (from): O. Verbeke, H. Gelfe, R. Gossens, J. Diezel, V. Verspille, P. Parlier, F. van der Elst, P. Querner, M. Gohoussens, J. Staelens, J. Belghien, O. Vermeulen, S. van der Heyden, G. Amokachi, F. Bony, T. Dieckhoff, K. van Tonge, G. Verheyen.

MORSE

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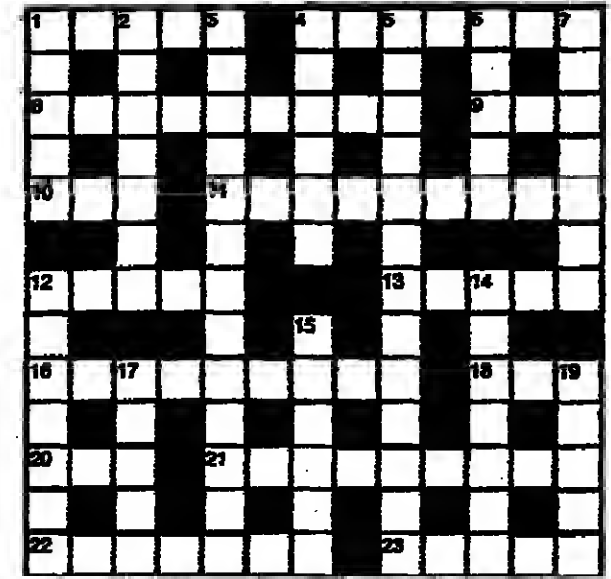
### CONCISE CROSSWORD NO. 3047

- ACROSS: 1 Disgorge (5)  
4 Duellists' aides (7)  
8 Got better (9)  
9 Golf peg (3)  
10 Play on words (3)  
11 Satisfied (9)  
12 Utter (5)  
13 Fool (5)  
16 Location (9)  
18 Morning moisture (3)  
20 Sea eagle (3)  
21 Sticking out (9)  
22 Championship determiner (7)  
23 Taut (5)
- DOWN: 1 Sweet thick liquid (5)  
2 Enrage greatly (7)  
3 Enjoy sumptuousness (4,4,1,4)  
4 Tiny crustacean (6)  
5 Rules of behaviour (4,2,7)  
6 Unacceptable (3,2)  
7 Quicken (5,2)  
12 Hold in abeyance (7)  
14 Downfall (7)  
15 Coldest season (6)  
17 Soldier's jacket (5)  
19 Flour grass (5)

### SOLUTIONS TO NO 3047

ACROSS: 1 Hunger 5 Carrot 8 Leap 9 Adequate  
10 Thebes 12 Hull 15 Scared to death 16 Clad 17 Dangle  
19 Amenable 21 Blow 22 Sleep 23 Future  
DOWN: 2 Unethical 3 Gap 4 Rheepody 5 Crew 6 Rough  
heav 7 Out 11 Barn dance 13 Fatal hour 14 Gold leaf  
18 Ably 20 Mill 21 Bit

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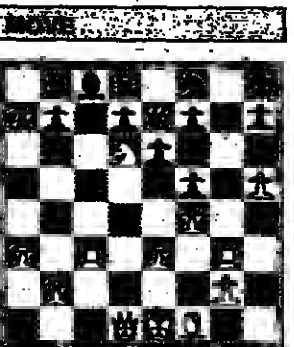
### By Raymond Keene, Chess Correspondent

This position is from the game Dorfman - Varga, Cannes 1993. The black king's lack of flight squares should sound a warning bell here. Not surprisingly, white has a winning combination. Can you see it?

Solution on page 48.

### By PHILIP HOWARD

ENCIERRO  
a. Human ashes  
b. Driving bulls  
c. A threnody refrain  
TOADO  
a. A party invitation  
b. A brown-nosing creep



### JONING

a. Verbal insults  
b. A Chinese dynasty  
c. Playing truant  
PROSOPAGNOSIA  
a. An Alpine rock-plant  
b. Failure to recognise  
c. Divination by card-throwing